

agency for implementing the credit-linked subsidy scheme (CLSS) under the Pradhan Mantri Awas Yojana (Urban) – Housing for All Mission, and the solar capital subsidy scheme. As part of CLSS, NHB released subsidy claims of ₹1.2 billion pertaining to 7,062 households to 57 primary lending institutions till end-June 2016.

VI.75 NHB also extended refinance to HFCs at reduced rates under the Urban Housing Fund

scheme to step up the flow of housing finance to flood-affected districts of Tamil Nadu. As at end-June 2016, ₹440 million was disbursed as part of this scheme. NHB launched RESIDEX in July 2007 for tracking residential property prices across 26 cities in India on a quarterly basis. After a recent review of the index, it was decided to revamp it by bringing out comprehensive housing-related indices.

# VII

## PUBLIC DEBT MANAGEMENT

*The Reserve Bank successfully managed the large market borrowing requirements of the central government during 2015-16 in an orderly manner and at a lower cost despite multiple challenges such as reduction in Held to Maturity (HTM) category and Statutory Liquidity Ratio (SLR) impacting demand, tight domestic liquidity conditions and volatility in global financial markets. The maturity profile was elongated with a 40-year issuance. State government borrowings were managed at a lower cost, despite increase in supply mainly on account of issuance of UDAY bonds. The Ways and Means Advances (WMA) limits of the state governments were increased following the recommendations of the Advisory Committee on the same. During the year, the Medium Term Debt Management Strategy was formulated in consultation with the central government and placed in public domain. The agenda for 2016-17 includes formulating market making scheme for enhancing g-sec market liquidity, working towards better information sharing and daily cash flow forecasting through the Cash Coordination Committee (CCC), improving the design of Sovereign Gold Bond (SGB) to attract retail investors, imparting liquidity to State Development Loans (SDLs) and better liability management operations.*

VII.1 The Reserve Bank has the obligation and the right to transact central government's business in India and manage its public debt in terms of Sections 20 and 21 of the Reserve Bank of India Act, 1934. As per the bilateral agreement signed under Section 21A, the Reserve Bank manages debt of all the 29 state governments and the Union Territory of Puducherry. It also acts as a banker to States, except Sikkim. Further, the Reserve Bank provides short-term credit to the central and state governments through Ways and Means Advances (WMA) to bridge temporary mismatch in their cash flows, in terms of Section 17(5) of the Reserve Bank of India Act, 1934. The Internal Debt Management Department of the Reserve Bank manages the operations relating to the central and state governments' market borrowings.

### **Agenda for 2015-16: Implementation Status**

VII.2 During the year, the Reserve Bank successfully managed the large borrowing programme of the central government and the states in an orderly manner in the face of multiple challenges including reduction in HTM category

of banks' investments, reduction in SLR in an environment of tight liquidity, increased issuances by state governments and global uncertainties.

VII.3 The central government in consultation with the Reserve Bank designed a SGB scheme as an alternative to the purchase of metal gold. The Reserve Bank manages the scheme on behalf of the Government and issued three tranches of SGBs during the fiscal year 2015-16 (Box VII.1). Further, the Government of India (Ministry of Power) had formulated the Ujwal DISCOM Assurance Yojana (UDAY) scheme on November 20, 2015 with the objective to improve operational and financial efficiency of the state DISCOMs. The Reserve Bank during 2015-16 issued UDAY bonds for a total amount of ₹990 billion with a fixed spread of 75 bps over the FIMMDA g-sec yield. In 2016-17 so far, the issuance spread ranged between 63-74 bps for ₹495 billion. The response to the UDAY issuances has been robust and appears not to have had any adverse impact on the g-sec yields nor have the Uday issuances crowded out the SDL market. Price discovery for

### Box VII.1 Sovereign Gold Bond Scheme

India is one of the largest consumers of gold in the world, accounting for around one-fourth of the total consumption. Gold imports accounted for 8.4 per cent of total merchandise imports in 2015-16. Thus, efforts to ease the pressure on the current account deficit (CAD) from gold imports have to incorporate a plausible strategy to moderate demand for gold by providing a safe alternative. Accordingly, three gold related schemes – the Gold Monetisation scheme, the Gold Coin Minted in India scheme and the Sovereign Gold Bond (SGB) scheme – were unveiled by the Government of India during 2015-16.

The SGB scheme is managed by the Reserve Bank on behalf of the Government of India. The scheme provides investors an assured nominal return besides savings in terms of storage costs for gold. There is no physical gold involved in the transactions. An investor pays the current price of gold and on maturity receives the price prevalent on that date. A coupon of 2.75 per cent per annum is paid

on a half-yearly basis. The bond is denominated in grams of gold with a cap of 500 grams per person per financial year. The tenor of the bond is for eight years, with the option of premature redemption after five years. Collection of SGBs is through banks, FIs, stock exchanges and post offices. SGBs can be used as collateral for loans. KYC norms for SGBs are similar to those for investments in physical gold.

The first tranche of SGBs was launched in November 2015. Subsequently, two tranches were floated in January and March 2016. Overall, subscriptions denominated in units of gold were at 4,904,130 grams amounting to ₹13 billion. Approximately, 0.4 million retail investors were successfully allotted SGBs, both in physical and dematerialised forms through the Reserve Bank's e-Kuber (CBS) platform. The fourth tranche, the first in 2016-17, which was floated in July 2016, witnessed increased investor demand with a total mobilization of ₹9.21 billion.

the UDAY issuances has also been efficient for the state governments.

#### *Debt Management of the Central Government*

VII.4 Gross market borrowings of ₹6,000 billion were proposed in the Union Budget 2015-16 through dated securities, of which ₹150 billion was allocated for issue of SGBs. The actual gross market borrowings through dated securities were ₹5850 billion and the net borrowings were ₹4406 billion which funded 82 per cent of the gross fiscal deficit (GFD) as against 89 per cent in the previous year. The net market borrowings of the central government, (*i.e.*, through dated securities and T-bills) declined to ₹4,530 billion in 2015-16 from ₹4,778 billion in 2014-15 (Table VII.1).

#### *Debt Management Operations*

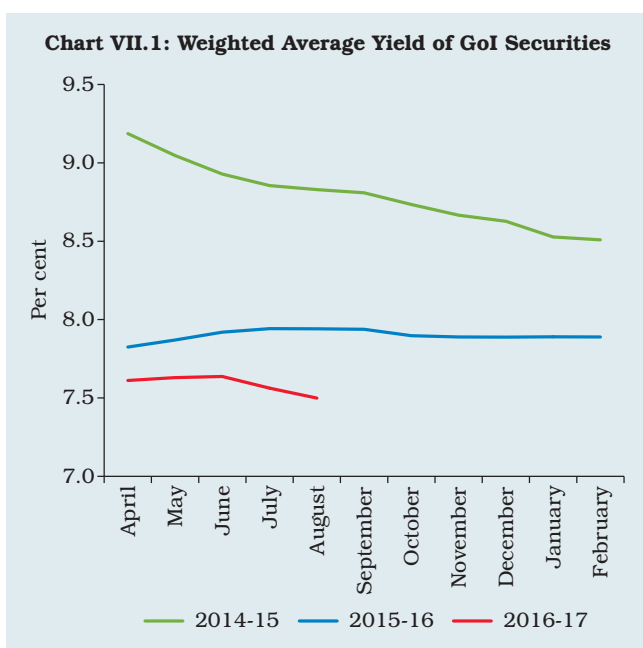
VII.5 The weighted average yield of dated securities issued during the year declined to 7.89 per cent from 8.51 per cent in 2014-15 (Chart VII.1). The yields which were stable for

**Table VII.1: Net Market Borrowings of the Central Government**

Item	2013-14 2014-15 2015-16 2016-17*			
	2	3	4	5
Net Borrowings	5,079	4,778	4,530	2,326
(i) Dated Securities	4,685	4,532	4,406	1,632
(ii) 91-day T-bills	207	114	63	640
(iii) 182-day T-bills	122	9	-40	48
(iv) 364-day T-bills	65	122	101	6

\*: Up to August 16, 2016.

most part of the year, however, hardened during the second half. This was mainly on account of large and continuous supply of central and state governments securities, uncertainties over UDAY bonds and concerns over fiscal consolidation, in particular, on the implementation of One-Rank-One-Pension and the seventh pay commission's recommendations. There was, however, an overall softening in yields across tenors from end-February 2016 following the government's budget announcement adhering to the fiscal consolidation path; clarifications on the private



placement of UDAY bonds and their classification under the HTM category; reduction in the small savings rate; net open market purchases; expectations of better monsoon and rate cuts. A further decline in yield was driven by ample liquidity, expectations on passage of the GST Constitutional Amendment Bill and increased FPI activity amid increased global uncertainties, post Brexit.

VII.6 There was devolvement on primary dealers (PDs) in nine instances for an amount

of ₹110 billion in 2015-16 as compared to four instances for ₹53 billion in 2014-15. Devolvements were mostly in later half of the year on account of stressed market conditions arising out of concerns over UDAY bonds supply and global volatility. The share of PDs in subscriptions to primary auctions stood at 54.2 per cent in 2015-16 as compared to 51.8 per cent in 2014-15.

VII.7 The Reserve Bank continued with the policy of passive consolidation of g-secs by way of reissues. Out of 161 securities auctioned in 2015-16, 154 securities were reissues of the existing securities. In order to manage the maturity profile and reduce rollover risks of the government debt in a proactive manner, buybacks and switches were conducted in the fourth quarter of 2015-16 for an amount of ₹749 billion (₹579 billion in the previous year). This has modulated redemption pressures and reduced the quantum of gross borrowing requirement for 2016-17.

VII.8 Reflecting the strategy of maturity elongation, the weighted average maturity of borrowings increased to 16.0 years in 2015-16 from 14.7 years in 2014-15. Consequently, the weighted average maturity of outstanding debt increased to 10.5 years in 2015-16 from 10.2 years in 2014-15 (Table VII.2). The weighted average cost of outstanding market loans remained the

**Table VII.2: Market Loans of Central Government – A Profile**

(Yield in per cent/ Maturity in years)

Years	Range of YTM's at Primary Issues			Issued during the Year			Outstanding Stock	
	Under 5 years	5-10 years	Over 10 years	Weighted Average Yield	Range of Maturities	Weighted Average Maturity	Weighted Average Maturity	Weighted Average Coupon
1	2	3	4	5	6	7	8	9
2011-12	8.21-8.49	7.80-10.01	8.25-9.28	8.52	5-30	12.66	9.60	7.88
2012-13	8.82-8.21	7.86-8.76	7.91-8.06	8.36	5-30	13.50	9.66	7.97
2013-14*	7.22-9.00	7.16-9.40	7.36-9.40	8.41	6-30	14.23	10.00	7.98
2014-15*	-	7.66-9.28	7.65-9.42	8.51	6-30	14.66	10.23	8.08
2015-16*	-	7.54-8.10	7.59-8.27	7.89	6-40	16.03	10.50	8.08
2016-17@	-	7.05-7.61	7.20-7.87	7.52	5-40	14.37	10.53	8.05

**Note:** YTM: Yield to Maturity; -: No Issues; \*: Excluding buyback/ switch in GoI securities. @ Upto August 16, 2016.

**Table VII. 3: Issuance of Government of India Dated Securities - Maturity Pattern**

(Amount in ₹ billion)

Residual Maturity	2013-14		2014-15		2015-16		2016-17*	
	Amount raised	Percentage to total	Amount raised	Percentage to total	Amount raised	Percentage to total	Amount raised	Percentage to total
1	2	3	4	5	6	7	8	9
Less than 5 years	110	2.0	-	-	-	-	150	5.9
5 - 9.99 years	2,305	40.9	2,350	39.7	2,000	34.2	840	32.9
10 - 15.99 years	1,340	23.8	1,510	25.5	1,600	27.4	870	34.1
16 - 19.99 years	930	16.5	960	16.2	1,120	19.1	340	13.3
20 years & above	950	16.9	1,100	18.6	1,130	19.3	350	13.7
<b>Total</b>	<b>5,635</b>	<b>100.0</b>	<b>5,920</b>	<b>100.0</b>	<b>5,850</b>	<b>100.0</b>	<b>2,550</b>	<b>100.0</b>

\*: As on August 16, 2016.

same at 8.08 per cent during 2015-16. However, the cost has marginally declined to 8.05 per cent during 2016-17 (up to August 16, 2016).

VII.9 In view of limited space for issuance in maturities less than 10 years, about 66 per cent of the market borrowings were raised through issuance of dated securities with a residual maturity of 10 years and above in 2015-16 as compared to 60 per cent in 2014-15, leading to a decline in the share of maturities less than 10 years by the end of the year (Table VII.3). To cater to the demand from long-term investors like insurance companies and pension funds, a 40-year security was also issued in 2015-16.

VII.10 Commercial banks remained the largest holders of dated securities, accounting for around 40 per cent as at end-June 2016 (43 per cent as at end-March 2015) followed by insurance companies and provident funds. The share of the Reserve Bank's holdings increased to 14.9 per cent as on end-June 2016 as compared with 13.5 per cent as on end-March 2015, mainly on account of net outright OMOs purchases.

#### *Medium Term Debt Management Strategy*

VII.11 A Medium Term Debt Management Strategy (MTDS) was formulated by the Reserve Bank in consultation with the Government and

placed in the public domain on December 31, 2015. The MTDS has been articulated for a period of three years (2015-16 to 2017-18). It is premised on three broad pillars: low costs, risk mitigation and market development in line with the sound international practices while factoring in domestic economic and financial conditions. The low cost objective is pursued through measures such as planned and predictable issuances, suitability of instruments as per investor preferences and improved transparency through timely and appropriate communication to the market. The strategy adopted to contain rollover risks include switches/buybacks, elongation of maturity and placement of limits on issuances and annual maturities. Interest rate risks were dealt with by keeping the floating rate debt low; foreign currency risks were addressed by issuing debt in domestic currency, developing a stable domestic investor base and a calibrated opening of the g-secs market to foreign investors. The Reserve Bank will continue to develop the g-secs market by introducing new instruments, expanding the investor base and strengthening market infrastructure. Stress tests and scenario analyses in relation to costs, maturity and potential risks suggest that the Government of India's debt is stable and sustainable over the medium to long run.

### Treasury Bills

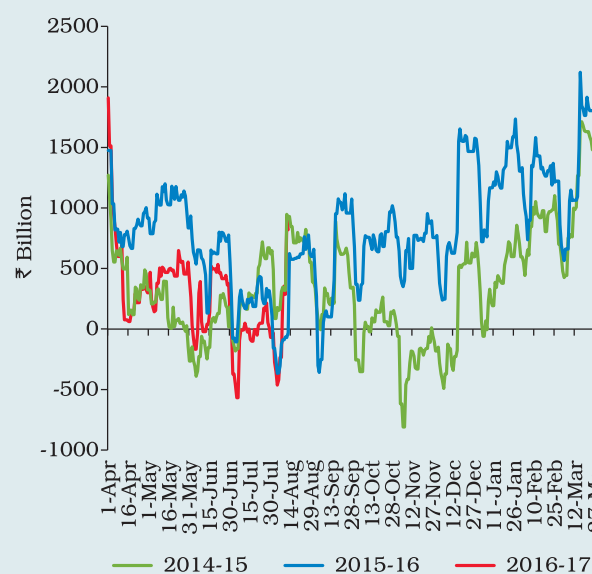
VII.12 T-Bills were issued essentially to smoothen the Government's temporary funding gaps. The net issuance of T-bills was lower during 2015-16 than in the previous year. The yields on T-bills softened during the year reflecting the easing interest rate regime. Primary Dealers (PDs) individually achieved the stipulated minimum success ratio and their aggregate share in T-bill auctions stood at 75.4 per cent in 2015-16, down from 77.2 per cent during 2014-15.

### Cash Management of the Central Government

VII.13 The Government's WMA limits for the first and second halves of 2015-16 were fixed at ₹450 billion and ₹200 billion, respectively. The Government's cash position was largely comfortable as it started the year with a large cash balance of ₹1,573 billion. Recourse to WMA was limited to 16 days in 2015-16 *vis-à-vis* 61 days in the previous year (including 16 days of overdraft), reflecting relatively fewer gaps between receipts and expenditures. The average utilisation of WMA was lower at ₹187 billion as compared to ₹236 billion in 2014-15. The Government ended the fiscal year 2015-16 with a cash balance of ₹1,917 billion (Chart VII.2). The WMA limit for the first half of 2016-17 has been fixed higher at ₹500 billion.

VII.14 Effective December 16, 2014, the Government's surplus cash balance with the

Chart VII.2: The Government of India's Cash Balance



Reserve Bank is being reckoned for auction at variable rate repos.

### Debt Management of State Governments

VII.15 Gross market borrowings of the states increased to ₹2,946 billion during 2015-16 through the issuance of 298 securities as compared to ₹2,408 billion mobilised through 282 securities in the previous year (Table VII.4). Despite increased supply, the weighted average yield of SDLs during 2015-16 was lower at 8.28 per cent as compared with 8.58 per cent in the previous year, reflecting the easing interest rate regime. However, the

Table VII.4: Market Borrowings of States through SDLs

Item	(₹ billion)			
	2013-14	2014-15	2015-16	2016-17 (up to August 16, 2016)
1	2	3	4	5
Maturities during the year	321	334	352	76
Gross sanctions under Article 293 (3)	2,174	2,435	3,060	1407
Gross amount raised during the year	1,967	2,408	2,946	900
Net amount raised during the year	1,646	2,075	2,594	823
Amount raised during the year to total sanctions (per cent)	92.0	99.0	96.0	64.0
SDLs outstanding (at the end period)	10,619	12,755	16,314	17,612

weighted average spread over the comparable central government securities increased to 50 bps from 38 bps during the previous year on concerns over increased supply due to UDAY bond issuances.

VII.16 An investors' meet was conducted during the year to increase awareness on SDLs with the objective of diversifying the investor base among market participants. Further, capacity building programmes were conducted in various states including North-Eastern states to sensitise them on better debt and cash management.

VII.17 State governments' borrowings were unevenly distributed during the year with bunching in the second half and more so in the fourth quarter. The Reserve Bank continuously engaged with the states to smoothen borrowings over the year, with the objective to lower costs. As part of this endeavour, state-wise quarterly borrowing calendar was introduced during 2015-16.

#### *Cash Management of State Governments*

VII.18 Investments by states in Intermediate Treasury Bills (ITBs) of the central government increased during the year. The daily average investments in ITBs increased marginally to ₹749 billion in 2015-16 from ₹731 billion in the previous year. Further, while the outstanding amount in Auction Treasury Bills (ATBs) continued to decline in 2015-16, the declining trend in investments in ITBs reversed over the same period (Table VII.5).

VII.19 During 2015-16, eleven states availed Special Drawing Facility (six states in 2014-15), eleven states availed WMA (10 states in 2014-15) and nine states availed Over Draft facility from the Reserve Bank in 2015-16 (10 states in 2014-15). The monthly average utilisation of WMA and OD by the states was higher during 2015-16 than that during 2014-15.

**Table VII.5: Investments in ITBs and ATBs by State Governments/UT**

(₹ billion)

Item	Outstanding as on March 31					
	2012	2013	2014	2015	2016	As on August 12, 2016
1	2	3	4	5	6	7
14-Day (ITB)	966	1,181	862	842	1,206	776
ATBs	220	286	463	394	383	814
<b>Total</b>	<b>1,186</b>	<b>1,466</b>	<b>1,325</b>	<b>1,236</b>	<b>1,589</b>	<b>1,589</b>

#### *Advisory Committee on WMA to State Governments*

VII.20 Pursuant to the recommendations of the Advisory Committee on WMA to state governments (Chairman: Shri Sumit Bose) which submitted its report in January 2016, the WMA scheme for States was revisited. The aggregate WMA limit for 28 States and the Union Territory of Puducherry was revised from ₹154 billion to ₹322 billion, effective February 01, 2016. The other recommendations of the committee are being examined and would be implemented in phases.

#### *Investments in Consolidated Sinking Fund (CSF)/ Guarantee Redemption Fund (GRF)*

VII.21 Outstanding investments in the CSF and the GRF maintained by state governments with the Reserve Bank stood at ₹781 billion and ₹44 billion, respectively, as at end-March 2016. Total investments in CSF/GRF during the year aggregated to ₹134 billion (₹141 billion in 2014-15).

#### **Agenda for 2016-17**

VII.22 The Union Budget 2016-17 projected gross market borrowings of ₹6,000 billion through dated securities, higher by 2.6 per cent than the actual amount mobilised during the previous year. Net funding through T-bills for 2016-17 has

been budgeted at ₹167 billion, higher by about ₹42 billion as compared to the previous year. Net market borrowings through dated securities have been estimated to fund 79.6 per cent of the budgeted GFD in 2016-17, which is lower than 82 per cent in 2015-16 (RE). Net market borrowings of States for 2016-17 are budgeted to finance 77.8 per cent of the states' consolidated GFD. The borrowing programme of the central and state governments is sought to be smoothly completed, while reducing costs and mitigating risks by adopting the following measures:

- i. Continuing the practice of frontloading of market borrowings through dated securities.
- ii. Switching of securities for effective liability management keeping in view the evolving market conditions.
- iii. Pursuing the objective of elongating the maturity to contain rollover risks.
- iv. MTDS articulated for three years will be reviewed and rolled over for the next three years (2016-17 to 2018-19).
- v. Cash Coordination Committee (CCC) comprising members from the Government of India and the Reserve Bank will work towards better information sharing, cash flow forecasting and management.
- vi. Features of the SGB scheme launched during 2015-16 will be improved upon for greater acceptability and expansion of the retail investor base.
- vii. With the objective of enhancing liquidity and giving a retail push to the secondary market for g-secs, a market making scheme will be formulated.
- viii. The Reserve Bank will continue to make efforts towards market development, providing greater predictability and ease of access to the g-sec auction process by market participants.
- ix. Market borrowings of the state governments will be spread more evenly across the year along with a more robust quarterly calendar.
- x. Reissuances of SDLs of different maturities will be continued to impart liquidity and better liability management operations.
- xi. The few remaining States which do not have CSF, will be encouraged to constitute it to strengthen their debt management operations.
- xii. The remaining issuances of special securities under the UDAY scheme will be completed with minimum market disruptions.



# VIII

## CURRENCY MANAGEMENT

*During 2015-16, the demand for banknotes and coins remained high notwithstanding the growing shift towards non-cash modes of transactions. The Reserve Bank has, in close coordination with the central government, initiated the process of introducing new series of banknotes with more sophisticated security features having higher levels of resistance to counterfeiting. Sustained efforts were also made towards indigenisation of banknote production.*

### TRENDS IN CURRENCY

#### Banknotes in Circulation

VIII.1 At end-March 2016, the value of banknotes in circulation was ₹16,415 billion showing an increase of 14.9 per cent as against 11.4 per cent in 2014-15. The volume of banknotes increased by 8.0 per cent as against 8.1 per cent in 2014-15. In value terms, ₹500 and ₹1,000 banknotes

**Table VIII.1: Banknotes in Circulation**

Denomination (₹)	Volume (million pieces)			Value (₹ billion)		
	Mar-14	Mar-15	Mar-16	Mar-14	Mar-15	Mar-16
1	2	3	4	5	6	7
2 and 5	11,698 (15.1)	11,672 (13.9)	11,626 (12.9)	46 (0.4)	46 (0.3)	45 (0.3)
10	26,648 (34.5)	30,304 (36.3)	32,015 (35.5)	266 (2.1)	303 (2.1)	320 (1.9)
20	4,285 (5.5)	4,350 (5.2)	4,924 (5.4)	86 (0.7)	87 (0.6)	98 (0.6)
50	3,448 (4.5)	3,487 (4.2)	3,890 (4.3)	172 (1.3)	174 (1.2)	194 (1.2)
100	14,765 (19.1)	15,026 (18.0)	15,778 (17.5)	1,476 (11.5)	1,503 (10.5)	1,578 (9.6)
500	11,405 (14.7)	13,128 (15.7)	15,707 (17.4)	5,702 (44.4)	6,564 (46.0)	7,854 (47.8)
1,000	5,081 (6.6)	5,612 (6.7)	6,326 (7.0)	5,081 (39.6)	5,612 (39.3)	6,326 (38.6)
<b>Total</b>	<b>77,330</b>	<b>83,579</b>	<b>90,266</b>	<b>12,829</b>	<b>14,289</b>	<b>16,415</b>

**Note:** Figures in parentheses represent the percentage share in total.

together accounted for 86.4 per cent of the total value of banknotes in circulation; by volume, ₹10 and ₹100 banknotes constituted 53.0 per cent of the total banknotes in circulation (Table VIII.1).

#### Coins in Circulation

VIII.2 The total value of coins in circulation increased by 12.4 per cent in 2015-16 as against 12.1 per cent last year; in volume terms, the increase was 8.2 per cent which is marginally higher than that in the previous year (8.0 per cent in 2014-15). In terms of volume, coins of ₹1 and ₹2 together constituted almost 70 per cent of the total coins in circulation. In terms of value, coins of ₹2 and ₹5 together accounted for 59 per cent (Table VIII.2).

**Table VIII.2: Coins in Circulation**

Denomination (₹)	Volume (Million pieces)			Value (₹ billion)		
	Mar-14	Mar-15	Mar-16	Mar-14	Mar-15	Mar-16
1	2	3	4	5	6	7
Small coins	14,788 (16.1)	14,788 (14.9)	14,788 (13.8)	7 (4.1)	7 (3.6)	7 (3.2)
1	38,424 (41.9)	41,627 (42.1)	44,876 (41.9)	38 (21.9)	42 (21.7)	45 (20.6)
2	24,823 (27.1)	27,038 (27.3)	29,632 (27.7)	50 (28.9)	54 (27.8)	59 (27.1)
5	11,577 (12.7)	12,761 (12.9)	14,089 (13.2)	58 (33.5)	64 (33.0)	70 (32.1)
10	2,017 (2.2)	2,750 (2.8)	3,703 (3.4)	20 (11.6)	27 (13.9)	37 (17.0)
<b>Total</b>	<b>91,629</b>	<b>98,964</b>	<b>107,088</b>	<b>173</b>	<b>194</b>	<b>218</b>

**Note:** Figures in parentheses represent the percentage share in total.

## CURRENCY MANAGEMENT ARCHITECTURE (CMA)

VIII.3 CMA comprises 19 issue offices, 4,075 currency chests (including sub-treasury offices and a currency chest of the Reserve Bank in Kochi) and 3,746 small coin depots at commercial, cooperative and regional rural banks, across India (Table VIII.3).

### *Strengthening the Currency Management Infrastructure*

VIII.4 To strengthen the distribution of currency by leveraging technology, the Reserve Bank is considering a hub and spoke model of mega-currency chests (MCCs), which will meet the currency needs of a designated area (as a district). MCCs will receive fresh notes directly from the banknote printing press for distribution to bank branches and will be equipped with state of the art facilities for processing of notes.

## CLEAN NOTE POLICY

### *Demand Estimation and Supply of Currency*

VIII.5 The Reserve Bank places indent for banknotes with printing presses on the basis

**Table VIII.3: Currency Chests and Small Coin Depots as at end-March 2016**

Category	No. of Currency Chest	No. of Small Coin Depot
1	2	3
State Bank of India (SBI)	1,965	1,859
SBI Associate Banks	757	725
Nationalised Banks	1,173	993
Private Sector Banks	160	156
Co-operative Banks	3	3
Foreign Banks	4	4
Regional Rural Banks	5	5
State Treasury Offices (STOs)	7	0
RBI	1	1
<b>Total</b>	<b>4,075</b>	<b>3,746</b>

of an econometric model factoring in *inter alia*, real GDP growth prospects, rate of inflation and denomination-wise disposal rate of soiled notes. The total number of banknotes supplied was lower at 21.2 billion pieces in 2015-16 as compared to 23.6 billion pieces in 2014-15 – against an indent of 23.9 billion pieces for 2015-16 and 24.2 billion pieces for 2014-15 (Table VIII.4).

VIII.6 The Indian Statistical Institute (ISI) Kolkata was entrusted with a study to refine the demand estimation model being employed at present.

**Table VIII.4: Indent and Supply of Banknotes by BRBNMPL and SPMCIL (April to March)**

(Million pieces)

Denomination (₹)	2013-14		2014-15		2015-16		2016-17
	Indent	Supply	Indent	Supply	Indent	Supply	Indent
1	2	3	4	5	6	7	8
5	0	0	0	0	0	0	0
10	12,164	9,467	6,000	9,417	4,000	5,857	3,000
20	1,203	935	4,000	1,086	5,000	3,252	6,000
50	994	1,174	2,100	1,615	2,050	1,908	2,125
100	5,187	5,131	5,200	5,464	5,350	4,910	5,500
500	4,839	3,393	5,400	5,018	5,600	4,291	5,725
1,000	975	818	1,500	1,052	1,900	977	2,200
<b>Total@</b>	<b>25,362</b>	<b>20,918</b>	<b>24,200</b>	<b>23,652</b>	<b>23,900</b>	<b>21,195</b>	<b>24,550</b>

@: Total excludes ₹1.

BRBNMPL: Bharatiya Reserve Bank Note Mudran Private Limited.

SPMCIL: Security Printing and Minting Corporation of India Limited.

**Table VIII.5: Indent and Supply of Coins by Mints (April-March)**

(Million pieces)

Denomination	2013-14		2014-15		2015-16		2016-17
	Indent	Supply	Indent	Supply	Indent	Supply	Indent
1	2	3	4	5	6	7	8
50 Paise	50	40	40	20	40	30	30
₹1	5,418	3,092	6,000	3,247	6,100	3,753	6,300
₹2	3,546	2,424	4,000	2,367	4,000	2,899	4,200
₹5	1,819	1,393	2,000	1,091	2,100	1,492	2,270
₹10	1,200	728	1,800	1,187	2,000	1,084	2,200
<b>Total</b>	<b>12,033</b>	<b>7,677</b>	<b>13,840</b>	<b>7,912</b>	<b>14,240</b>	<b>9,258</b>	<b>15,000</b>

VIII.7 Keeping pace with the increasing demand for coins, the annual indent placed with the mints has been increasing over the years. However, the mints were able to meet approximately 57 per cent and 65 per cent of the annual indents placed with them in 2014-15 and 2015-16, respectively (Table VIII.5). Mints have been urged to step up production so as to meet the increasing demand.

#### *Disposal of Soiled Notes*

VIII.8 During 2015-16, 16.4 billion pieces of soiled notes were disposed as against a target of 17.1 billion pieces (Table VIII.6).

**Table VIII.6: Disposal of Soiled Banknotes (April-March)**

(Million pieces)

Denomination (₹)	2013-14	2014-15	2015-16
	2	3	4
1,000	511	663	625
500	2,405	2,847	2,800
100	4,972	5,173	5,169
50	1,398	1,271	1,349
20	725	801	849
10	4,128	4,338	5,530
Up to 5	48	44	46
<b>Total</b>	<b>14,187</b>	<b>15,137</b>	<b>16,368</b>

### COUNTERFEIT NOTES AND SECURITY PRINTING

#### *Trends as Detected in the Banking System*

VIII.9 During the year, 632,926 pieces of counterfeit notes were detected in the banking system, of which 95 per cent were detected by commercial banks (Table VIII.7). Denomination-wise, detection of counterfeit notes of ₹100 and ₹1,000 increased in 2015-16 (Table VIII.8).

**Table VIII.7: Number of Counterfeit Notes Detected (April to March)**

(No. of pieces)

Year	Detection at Reserve Bank	Other Banks	Total
1	2	3	4
2013-14	19,827 (4.1)	468,446 (95.9)	488,273 (100.0)
2014-15	26,128 (4.4)	568,318 (95.6)	594,446 (100.0)
2015-16	31,765 (5.0)	601,161 (95.0)	632,926 (100.0)

**Note:** 1. Figures in parentheses represent the percentage share in total.  
2. Does not include counterfeit notes seized by the police and other enforcement agencies.

**Table VIII.8: Denomination-wise Counterfeit Notes Detected in the Banking System (April to March)**

(No. of pieces)

Denomination (₹)	2014-15			2015-16		
	Number of Counterfeit Notes	Notes in Circulation	FICN as a proportion of NIC	Number of Counterfeit Notes	Notes in Circulation	FICN as a proportion of NIC
1	2	3	4	5	6	7
2 and 5	0	11,672,000,000	0	2	11,626,000,000	0
10	268	30,304,000,000	0.00000001	134	32,015,000,000	0
20	106	4,350,000,000	0.00000002	96	4,924,000,000	0
50	7,160	3,487,000,000	0.00000205	6,453	3,890,000,000	0.0000017
100	181,799	15,026,000,000	0.00001210	221,447	15,778,000,000	0.0000140
500	273,923	13,128,000,000	0.00002087	261,695	15,707,000,000	0.0000167
1000	131,190	5,612,000,000	0.00002338	143,099	6,326,000,000	0.0000226
<b>Total</b>	<b>594,446</b>	<b>83,579,000,000</b>	<b>0.00000711</b>	<b>632,926</b>	<b>90,266,000,000</b>	<b>0.0000070</b>

FICN: Fake Indian Currency Notes. NIC: Notes in Circulation.

**Note:** Does not include counterfeit notes seized by the police and other enforcement agencies.*Withdrawal of pre-2005 Series Banknotes and Expenditure on Security Printing*

VIII.10 The process of withdrawal of banknotes of pre-2005 series commenced in May 2013. This was done in phases to preclude any inconvenience to the public. From July 01, 2016 onwards, the facility for exchange of pre-2005 banknotes will be available only at Issue Offices of the Reserve Bank (including Kochi). The legal tender status of pre-2005 banknotes will remain unchanged.

VIII.11 The total expenditure incurred on security printing stood at ₹34.2 billion during 2015-16 (July-June) as against ₹37.6 billion during 2014-15.

**DEPARTMENT OF CURRENCY MANAGEMENT**

VIII.12 Currency management is a core central banking function. The Department of Currency Management plays a critical role in meeting the legitimate demands of the public for notes and coins. The core concern of the department relates to increased indigenisation of production and procurement of security features for banknotes

while also elongating their life. During 2015-16, the department also endeavoured to facilitate better customer services.

**Agenda for 2015-16: Implementation Status***Plastic Banknotes*

VIII.13 A billion pieces of banknotes in denomination of ₹10 were to be printed on all available plastic substrates and issued to the public in five cities having different climatic zones, viz., Kochi, Mysuru, Shimla, Jaipur and Bhubaneswar, on a field trial basis. The Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) and the Security Printing and Minting Corporation of India Limited (SPMCIL) have taken up this project.

*Customer Service*

VIII.14 The scheme of incentives and penalties for bank branches including currency chests was introduced in 2008 and expanded in 2014-15 by the Reserve Bank so as to enable bank branches to provide efficient and effective customer service to members of the public for supply and exchange of notes and coins. During 2015-16, the Reserve

**Box VIII.1****Banknotes: New Numbering Pattern and Visually Impaired-Friendly**

During 2015-16, the Reserve Bank issued banknotes in the Mahatma Gandhi Series 2005 with a new numbering pattern in all denominations excepting ₹20. The numerals of both the number panels ascend in size from left to right, whereas the first three alphanumeric characters (prefix) remain constant in size. Printing the numerals in ascending size is a visible security feature in the banknotes, which enables the public to distinguish a genuine Indian banknote from a counterfeit one and hence safeguards against counterfeiting.

Additional special features such as bleed lines and enhancement of existing features for the visually impaired

have also been introduced in banknotes of denominations of ₹100, ₹500 and ₹1,000. The size of the current identification marks in ₹100, ₹500 and ₹1,000 denomination notes (circle, triangle, diamond) has been increased by 50 per cent for easy identification. Angular bleed lines have been introduced: 4 lines in 2 blocks in ₹100, 5 lines in 3 blocks in ₹500 and 6 lines in 4 blocks in ₹1,000 denominations. The design of banknotes of ₹100, ₹500 and ₹1000 denomination is similar in all other respects to the current design of banknotes of the Mahatma Gandhi Series 2005. The legal tender status of all the banknotes of these denominations issued earlier which do not contain these features will remain unchanged .

Bank reviewed this scheme and revised certain incentives and segregated incentives from penalties. The new scheme, 'Currency Distribution & Exchange Scheme' (CDES) which contains modified incentives for banks will continue to facilitate exchange of banknotes in line with the Clean Note Policy. An internal group of the Reserve Bank is reviewing the Reserve Bank (Note Refund) Rules, 2009. Taking a cue from advanced practices of inventory management in various central banks, the process of vault automation is being initiated on a pilot basis with mechanised vaults at the Reserve Bank's new centres along with the automation of the existing vault at Belapur (Mumbai).

**Agenda for 2016-17**

VIII.15 Central banks worldwide adopt a standardised practice of periodic up-gradation of security features of banknotes to stay ahead of counterfeiters. While in India, the last such up-gradation was done in 2005 with a new 2005 series of banknotes, certain new features such as bleed lines and exploding numbers were introduced during 2015-16 (Box VIII.1). Furthermore, the Government of India approved

the procurement of new security features for Indian banknotes. The process of procurement of new security features is presently underway while banknotes with new designs are also proposed to be introduced.

**BHARATIYA RESERVE BANK NOTE MUDRAN PRIVATE LIMITED (BRBNMPL)**

VIII.16 BRBNMPL is a wholly owned subsidiary of the Reserve Bank which runs two banknote printing presses in Mysuru and Salboni. It is proposed to set up an ink manufacturing unit within BRBNMPL as part of efforts towards the 'Make in India' programme.

VIII.17 During 2015-16, BRBNMPL produced 14,714 million pieces of banknotes of different denominations as against its annual target of 15,700 million pieces. The Bank Note Paper Mill India Private Limited (BNPMIPL) in Mysuru which is a joint Venture between BRBNMPL and SPMCIL, with a production capacity of 12,000 million tonnes has commenced commercial production. This is a significant step towards the indigenisation of production of new banknotes.

*The Reserve Bank continued its efforts towards building robust and secure payment and settlement systems for achieving a less-cash society. In this direction, it published Vision 2018 which highlights the need for making regulations more responsive to technological developments and innovations in the payments space. This will be complemented by enhanced supervision of payment system operators, improvement in customer grievance redressal mechanisms and strengthening of the payments infrastructure. Further, the Reserve Bank focused on enhancements in the IT infrastructure for internal users and bringing about improved efficiency and coverage for government transactions.*

### DEPARTMENT OF PAYMENT AND SETTLEMENT SYSTEMS (DPSS)

IX.1 The department continued its focus on migrating to a 'less-cash' society through a process of stakeholder consultation for developing a regulatory framework that is responsive to emerging developments and innovations. Among other things, enhancement of infrastructure with multiple channels and products for payment services has widened the customer base.

#### Trend and Progress in Payment Systems

IX.2 Overall, the payment and settlement systems registered robust growth during 2015-16, with volumes and value growing at 49.5 per cent and 9.1 per cent, respectively. The efforts made by the Reserve Bank for migration to electronic payments are reflected in high volumes witnessed under various electronic payment systems during 2015-16 (Table IX.1). In volume terms, the share of electronic transactions in total transactions moved up to 84.4 per cent from 74.6 per cent in the previous year. In value terms, their share moved up to 95.2 per cent from 94.6 per cent.

#### Electronic Payments

IX.3 At end-March 2016, the national electronic funds transfer (NEFT) facility was available through

130,013 branches of 172 banks, in addition to business correspondent (BC) outlets. NEFT handled 1.2 billion transactions valued at around ₹83 trillion, up from 928 million transactions for ₹60 trillion in the previous year. In March 2016, NEFT processed the largest ever monthly volume of 129 million transactions.

IX.4 During 2015-16, 786 million transactions valued at around ₹2.4 trillion were carried out through credit cards, while 1.2 billion transactions valued at ₹1.6 trillion were carried out through debit cards. Prepaid payment instruments (PPIs) recorded 748 million transactions valued at ₹488 billion as compared to 314 million transactions valued at ₹212 billion in the previous year. Mobile banking service growth surged by 126.6 per cent in terms of volume and 290.3 per cent in terms of value handling 389 million transactions valued at ₹4 trillion during the year.

#### Authorisation of Payment Systems

IX.5 The number of authorised payment system operators stood at 71 comprising PPI issuers, cross-border money transfer service providers, white label ATM (WLA) operators, ATM networks, instant money transfer service providers and card payment networks besides the Clearing Corporation of India Limited (CCIL) and the

**Table IX.1: Payment System Indicators – Annual Turnover**

Item	Volume (million)			Value (₹ billion)		
	2013-14	2014-15	2015-16	2013-14	2014-15	2015-16
1	2	3	4	5	6	7
<b>Systemically Important Financial Market infrastructures (SIFMIs)</b>						
1. RTGS	81.1	92.8	98.3	734,252	754,032	824,578
<b>Total Financial Markets Clearing (2+3+4)</b>	<b>2.6</b>	<b>3.0</b>	<b>3.1</b>	<b>621,570</b>	<b>672,456</b>	<b>721,094</b>
2. CBLO	0.2	0.2	0.2	175,262	167,646	178,335
3. Government Securities Clearing	0.9	1.0	1.0	161,848	179,372	183,502
4. Forex Clearing	1.5	1.8	1.9	284,460	325,438	359,257
<b>Total SIFMIs (1 to 4)</b>	<b>83.7</b>	<b>95.7</b>	<b>101.4</b>	<b>1,355,822</b>	<b>1,426,488</b>	<b>1,545,672</b>
<b>Retail Payments</b>						
<b>Total Paper Clearing (5+6+7)</b>	<b>1,257.3</b>	<b>1,195.8</b>	<b>1,096.4</b>	<b>93,316</b>	<b>85,439</b>	<b>81,861</b>
5. CTS	591.4	964.9	958.4	44,691	66,770	69,889
6. MICR Clearing	440.1	22.4	0.0	30,943	1,850	0
7. Non-MICR Clearing	225.9	208.5	138.0	17,682	16,819	11,972
<b>Total Retail Electronic Clearing (8+9+10+11+12)</b>	<b>1,108.3</b>	<b>1,687.4</b>	<b>3,141.6</b>	<b>47,856</b>	<b>65,366</b>	<b>91,408</b>
8. ECS DR	192.9	226.0	224.8	1,268	1,740	1,652
9. ECS CR	152.5	115.3	39.0	2,492	2,019	1,059
10. NEFT	661.0	927.6	1,252.9	43,786	59,804	83,273
11. Immediate Payment Service (IMPS)	15.4	78.4	220.8	96	582	1,622
12. National Automated Clearing House (NACH)	86.5	340.2	1,404.1	215	1,221	3,802
<b>Total Card Payments (13+14+15)</b>	<b>1,261.8</b>	<b>1,737.7</b>	<b>2,707.2</b>	<b>2,575</b>	<b>3,325</b>	<b>4,484</b>
13. Credit Cards	509.1	615.1	785.7	1,540	1,899	2,407
14. Debit Cards	619.1	808.1	1,173.5	955	1,213	1,589
15. Prepaid Payment Instruments (PPIs)	133.6	314.5	748.0	81	212	488
<b>Total Retail Payments (5 to 15)</b>	<b>3,627.4</b>	<b>4,620.9</b>	<b>6,945.2</b>	<b>143,748</b>	<b>154,129</b>	<b>177,752</b>
<b>Grand Total (1 to 15)</b>	<b>3,711.1</b>	<b>4,716.6</b>	<b>7,046.6</b>	<b>1,499,570</b>	<b>1,580,617</b>	<b>1,723,425</b>

**Note:** 1. Real time gross settlement (RTGS) system includes customer and inter-bank transactions only.  
2. Settlement of collateralised borrowing and lending obligation (CBLO), government securities clearing and forex transactions are through the Clearing Corporation of India Ltd. (CCIL).  
3. Consequent to total cheque volume migrating to the cheque truncation system (CTS), there is no magnetic ink character recognition (MICR) cheque processing centre (CPC) location in the country as of now.  
4. The figures for cards are for transactions at point of sale (POS) terminals only.  
5. The National Automated Clearing House (NACH) system was started by the National Payments Corporation of India (NPCI) on December 29, 2012, to facilitate inter-bank, high volume, electronic transactions which are repetitive and periodic in nature.  
6. ECS: Electronic clearing service; DR: Debit; CR: Credit; NEFT: National electronic funds transfer.  
7. Figures in the columns might not add up to the total due to rounding off.

National Payments Corporation of India (NPCI). The number of entities authorised for operating PPIs increased to 42 with nine entities authorised during 2015-16. The number of entities authorised to operate WLAs at end-March 2016, stood at eight, out of which seven started the process of installation and operations; these collectively deployed 12,962 WLAs.

### **Agenda for 2015-16: Implementation Status**

*Payment and Settlement Systems in India, Vision 2018*

IX.6 The Reserve Bank published the vision document for payment and settlement systems on June 23, 2016, laying down the roadmap for payment systems in the country up to December

2018 (Box IX.1). The broad contours of Vision 2018 revolve around 5 Cs: (i) **Coverage** – by enabling wider access to a variety of electronic payment

services, (ii) **Convenience** – by enhancing user experience through ease of use and of products and processes, (iii) **Confidence** – by promoting

**Box IX.1**  
**Payment and Settlement Systems in India: Vision 2018**

Building best of class payment and settlement systems for a 'less-cash' India through responsive regulation, robust infrastructure, effective supervision and customer centricity

STRATEGIC INITIATIVES			
RESPONSIVE REGULATION	ROBUST INFRASTRUCTURE	EFFECTIVE SUPERVISION	CUSTOMER CENTRICITY
<p>1. Orienting policy with emerging developments and innovations</p> <ul style="list-style-type: none"> <li>• Framing new policy: Policy framework for central counter-parties (CCPs); exit policy for authorised entities; framework for imposition of penalty; regulation of payment gateway service providers and payment aggregators; monitoring framework for new technologies.</li> <li>• Review of existing policies / guidelines: PPIs; mobile banking; WLA; nodal account for intermediaries.</li> </ul>	<p>1. Facilitating faster payment services</p> <ul style="list-style-type: none"> <li>• NEFT – more frequent settlement cycles and exploring feasibility of adoption of International Organization for Standardization (ISO) messaging format.</li> <li>• Mobile banking – enhancing options for customer registration for mobile banking services; enabling wider access to mobile banking services in multiple languages for non-smartphone users.</li> <li>• Encourage innovative mobile based payment solutions.</li> </ul>	<p>1. Assessment of resilience of payment and settlement infrastructure including financial market infrastructures (FMIs) and System-Wide Important Payment Systems (SWIPS)</p> <ul style="list-style-type: none"> <li>• Draft framework for testing resilience</li> <li>• Resilience of communication/ messaging infrastructure.</li> <li>• Resilience of IT systems of payment system operators (PSOs).</li> <li>• Building capability to process transactions of one system in another system.</li> </ul>	<p>1. Strengthening customer grievance redressal mechanism</p> <ul style="list-style-type: none"> <li>• Frame necessary guidelines to ensure enhanced customer grievance redressal mechanism in authorised payment systems.</li> <li>• Require payment systems operators to adequately train front-office staff and agents.</li> </ul>
<p>2. Setting up the Payments System Advisory Council (PSAC) of industry and government representatives / experts to strengthen the consultative process.</p>	<p>2. Improving accessibility</p> <ul style="list-style-type: none"> <li>• Increasing acceptance infrastructure.</li> <li>• Implementation of the Bharat Bill Payment System.</li> <li>• Implementation of the Trade Receivables Discounting System.</li> </ul>	<p>2. Design an oversight framework</p> <ul style="list-style-type: none"> <li>• On the basis of proportionality of risk posed by PSOs.</li> <li>• For large-value payment systems, retail payment systems (including IS audit), BBPS and TReDS.</li> </ul>	<p>2. Enhancing customer education and awareness</p> <ul style="list-style-type: none"> <li>• Electronic Banking Awareness and Training (e-BAAT).</li> <li>• Framework requiring PSOs to disclose fees and terms and conditions of their service.</li> </ul>

(Contd...)



**PAYMENT AND SETTLEMENT SYSTEMS  
AND INFORMATION TECHNOLOGY**

<p>3. Amendments to the PSS Act</p> <ul style="list-style-type: none"> <li>• Improved governance of PSO.</li> <li>• Resolution of CCP/ FMI.</li> <li>• Non-Registration of charge on collateral with CCPs.</li> </ul>	<p>3. Promoting interoperability</p> <ul style="list-style-type: none"> <li>• Unified payment interface.</li> <li>• Toll collection.</li> <li>• Payments for mass transit systems.</li> </ul>	<p>3. Strengthening the reporting framework including fraud monitoring</p> <ul style="list-style-type: none"> <li>• Move the reporting of periodic returns by payment systems operators to the XBRL platform.</li> <li>• Draw a framework for collection of data on frauds in payment systems.</li> </ul>	<p>3. Protection of customer interest</p> <ul style="list-style-type: none"> <li>• Encourage PSOs to develop robust fraud and risk monitoring systems.</li> <li>• Endeavour to build a framework to limit customer liability for unauthorised electronic transactions.</li> </ul>
<p>4. Strengthen financial stability</p> <ul style="list-style-type: none"> <li>• Encouraging adoption of Legal Entity Identifier by financial entities.</li> <li>• Settlement of funds leg of financial transactions in central bank money.</li> </ul>	<p>4. Enhancing safety and security</p> <ul style="list-style-type: none"> <li>• Migration to EMV chip and PIN cards.</li> <li>• EMV card processing at ATM based on chip data.</li> <li>• Security of ATM transactions by holistically strengthening the safety and security of ATM infrastructure.</li> <li>• Examining feasibility of Aadhaar-based authentication.</li> </ul>	<p>4. Analysing data and publishing reports</p> <ul style="list-style-type: none"> <li>• Oversight report on select retail and large value systems.</li> <li>• Analysis of payment system related data within the Reserve Bank.</li> </ul>	<p>4. Positive confirmation</p> <ul style="list-style-type: none"> <li>• Incorporate the feature of sending positive confirmation of payment to the remitter in RTGS system.</li> <li>• Strengthen positive confirmation feature of NEFT.</li> </ul>
	<p>5. Cheque clearing systems</p> <ul style="list-style-type: none"> <li>• Endeavour to eliminate paper-to-follow arrangements for all cheques issued by state governments.</li> <li>• Promoting use of positive pay mechanism, national archive on cheque images.</li> <li>• Encouraging complete migration of cheques to CTS-2010 standards.</li> </ul>		<p>5. Conducting customer surveys</p> <ul style="list-style-type: none"> <li>• Engage with various stakeholders/ professionals to conduct user/ customer surveys on specific aspects of payment systems.</li> </ul>

integrity of systems, security of operations and customer protection, (iv) **Convergence** – by ensuring interoperability across service providers and (v) **Cost** – by making services cost effective for users as well as service providers. In pursuit of a ‘less-cash’ society, Vision 2018 is expected to result in: (i) continued reduction in the share of paper-based clearing instruments, (ii) consistent growth in individual segments of retail electronic payment systems viz., NEFT, IMPS, card transactions and mobile banking, (iii) increase in the registered customer base for mobile banking, (iv) significant growth in acceptance infrastructure and (v) accelerated use of Aadhaar in payment systems.

IX.7 The activities undertaken during the year, including those which were indicated in the agenda for 2015-16, can be broadly classified into actions which have an impact on regulation, infrastructure and supervision of payment systems, and were oriented towards customer interest.

### **Responsive Regulation**

#### *Card Acceptance Infrastructure*

IX.8 In line with the fourth bi-monthly Monetary Policy Statement, 2015-16, a concept paper was prepared on ‘Card Acceptance Infrastructure’. The paper outlined a multi-pronged strategy to enhance the growth in acceptance infrastructure and usage of cards including rationalisation of merchant discount rates (MDR) for debit card transactions. The paper was placed on the Reserve Bank’s website in early March 2016 to garner comments/feedback.

#### *Payment Gateways and Aggregators*

IX.9 Payment gateways and aggregators undertaking bill payments are being covered under the scope of Bharat Bill Payment System (BBPS) and hence, are required to apply for authorisation to the Reserve Bank to remain

in the business. With regard to other payment aggregators and gateways which do not undertake bill payments, the feasibility/desirability of formulating a regulatory framework will be examined after complete operationalisation of the BBPS.

#### *Introduction of PPI-MTS*

IX.10 A new category of semi-closed PPI upto ₹2,000 was introduced for mass transit systems (PPI-MTS) to facilitate small value electronic payments.

#### *Exit Policy for Authorised Entities*

IX.11 To ensure consumer interest and that other stakeholders are protected, an exit policy specifying the parameters and processes for voluntary exit of a payment system operator (PSO) authorised to operate as a retail payment system, (namely PPI Issuers and Money Transfer Service Scheme (MTSS)-Overseas Principal) has been put in place.

#### *Payment System Innovation Awards*

IX.12 To encourage innovations in payment and settlement systems, the Reserve Bank announced the ‘Payment System Innovation Awards’ in December 2015. The contest was organised by the Institute for Development and Research in Banking Technology (IDRBT), a wholly owned subsidiary of the Reserve Bank.

### **Robust Infrastructure**

#### *Authorisation of TReDS and BBPS*

IX.13 The Trade Receivables Discounting System (TReDS) is an institutional mechanism to facilitate the financing of trade receivables of micro, small and medium enterprises (MSMEs) from corporate buyers through multiple financiers. In-principle approval has been given to three entities to set up and operate TReDS under the Payment and Settlement System (PSS) Act, 2007. BBPS is a pan-India interoperable bill payment system.

In-principle authorisation was issued to NPCI to function as a Bharat Bill Payment Central Unit (BBPCU). Applications/requests received from non-banks and banks for authorisation/approval to operate as Bharat Bill Payment Operating Units (BBPOUs) under the BBPS are under process.

#### *Financial Messaging Services*

IX.14 The Reserve Bank granted approval to the SWIFT India Domestic Services Private Limited (SIDSPL) to provide messaging services for domestic financial transactions. Currently, messaging for inter-bank transactions is transmitted through the Structured Financial Messaging System (SFMS). Messaging operations of SWIFT will strengthen the infrastructure for financial transactions in the country.

#### *Security of Card Transactions*

IX.15 As part of risk mitigation measures for card transactions, banks were advised to progressively migrate all active cards to EMV chip and PIN cards by December 31, 2018. Further, banks and WLA operators have been advised to ensure that all the ATM infrastructure, both existing and new, installed/operated by them are enabled for processing of EMV chip and PIN cards by September 30, 2017.

#### *Mobile Banking*

IX.16 In order to encourage mobile banking, the Reserve Bank facilitated customers' registration for mobile banking at ATMs connected to the National Financial Switch (NFS). Thus, a bank customer can register for mobile banking at any ATM obviating the need to visit the bank branch.

#### *Financial Market Infrastructure – CCIL*

IX.17 In pursuance of the G20/FSB declarations and in line with the 'Recommendations of the Implementation Group on OTC Derivative Market Reforms', CCIL was authorised to put in place central counter-party (CCP) clearing for rupee

interest rate swaps (IRS). CCIL has launched Anonymous System for Trading in Rupee OTC Interest-rate Derivatives (ASTROID) in August 2015.

#### **Effective Supervision**

##### *Assessment of Real Time Gross Settlement (RTGS) against Financial Market Infrastructure (FMI) Principles*

IX.18 The Committee of Payments and Market Infrastructures (CPMI) published the 'Application of the Principles for Financial Market Infrastructures to the Central Bank's FMIs'. The policy framework for regulation and supervision of FMIs published by the Reserve Bank had identified RTGS as one of the FMIs. The assessment of RTGS against the Principles for FMIs (PFMIs) has been initiated.

##### *Oversight of Payment Systems – CCIL*

IX.19 As a Qualified Central Counterparty (QCCP), CCIL is assessed on an on-going basis against PFMIs. Accordingly, an assessment of CCIL was carried out during the year. CCIL, as per the 'Disclosure Framework and Assessment Methodology', prescribed in the PFMIs, disclosed its self-assessment on its compliance with PFMIs as a measure of enhanced transparency. CCIL has also started disclosing as per the public disclosure standards for CCPs. Besides, CCIL has introduced a process for computing intra-day MTM margin on multiple occasions in all segments.

##### *Oversight of Payment Systems – Retail*

IX.20 In addition to onsite inspection of 23 PPIs, self-assessment as per the assessment template for retail payment systems were received and reviewed for another 29 entities operating retail payment systems.

##### *Assessment against Implementation of PFMIs*

IX.21 CPMI and the International Organisation of Securities Commissions (IOSCO), monitoring the implementation of PFMIs including both Principles

and Responsibilities, rated India as '4'<sup>1</sup> for Level 1<sup>2</sup>. Level 2/3<sup>3</sup> assessments are peer reviews of the extent to which the content of the jurisdiction's implementation measures is complete and consistent with the PFMI for Responsibilities and India has been rated as 'Observed'<sup>4</sup> in the Level 2/3 assessments for Responsibilities.

### Customer Centricity

#### *Cash Withdrawal at Point of Sale (POS)*

IX.22 The limit for withdrawal of cash at POS through debit cards and open system prepaid cards issued by banks was enhanced from ₹1,000 to ₹2,000 per day for Tier III to VI centres, with customer charges, if levied, not to exceed 1 per cent of the transaction amount for all centres.

#### *RTGS Service Charges*

IX.23 The recent enhancement of RTGS has enabled expansion in the time window and improved operational efficiency. To ensure that services were appropriately priced for banks, the charges for RTGS were rationalised. However, the maximum fee a member could charge from its customers remained unchanged.

### Agenda for 2016-17

IX.24 Based on the agenda set out in Vision 2018, the following activities are planned for 2016-17.

#### *Framework for Imposition of Penalty*

IX.25 Guidelines and standards for various payment and settlement systems are issued under the provisions of PSS Act. Non-adherence to these by participants and operators can attract penal provisions under the PSS Act. A framework for imposition of such penalties under the PSS Act would be put in place.

#### *Review of PPI Guidelines*

IX.26 The PPI segment of the payment systems has been growing both in terms of number of authorised operators and its usage. Taking into account the advancements in technology, safety and security concerns of PPI transactions, know your customer (KYC) related issues, entry of new players, and new payment mechanisms as well as channels, it is considered necessary to undertake a holistic review of the PPI guidelines.

#### *Review of WLA Guidelines*

IX.27 These guidelines, which were set out with the objective of ensuring expansion of ATM infrastructure in rural and semi-urban areas, have not resulted in the anticipated growth in ATM infrastructure. Accordingly, the WLA guidelines will be examined holistically and targets re-aligned to meet the current requirements.

<sup>1</sup> Rating 1: Draft implementation measures not published; Rating 2: Draft implementation measures published; Rating 3: Final implementation measures published; Rating 4: Final implementation measures fully in force; Rating NA: No implementation measures needed (that is, not applicable).

<sup>2</sup> To assess whether jurisdictions have completed the process of adopting the legislation, regulations and other policies that will enable them to implement the Principles and Responsibilities.

<sup>3</sup> Level 2 to assess whether the content of legislation, regulations and policies is complete and consistent with the Principles and Responsibilities. Level 3 to assess whether there is consistency in the outcomes of implementation of the Principles and Responsibilities.

<sup>4</sup> Observed: The authorities fulfil the responsibility; Broadly Observed: The authorities are broadly fulfilling the responsibility; Partly Observed: The authorities partly fulfil the responsibility; Not Observed: The authorities are not fulfilling the responsibility; Not Applicable: This responsibility does not pertain because of the particular institutional framework or other conditions faced by the authorities with respect to this responsibility.

### *Constitution of PSAC*

IX.28 A Payment System Advisory Council (PSAC) with representation from the fields of technology, telecommunication, Fin Tech, security solutions, academia, etc., will be constituted to assist BPSS in forming new policies and assessing the impact of new technological developments for approving new products and solutions by providing necessary insights.

### *Adoption of Legal Entity Identifier (LEI)*

IX.29 The LEI uniquely identifies parties to a financial transactions globally. Need for such identification was felt in the aftermath of the last financial crisis. Use of LEI will facilitate monitoring the exposure of entities across systems. The Reserve Bank will put in place a framework to encourage the adoption of LEI for certain transactions/markets/categories of institutions.

### *Policy Framework for CCPs*

IX.30 The CCPs are critical FMIs and their efficient functioning is important. The Reserve Bank has already declared the policy framework for regulation and supervision of FMIs under its regulatory jurisdiction. The PFMI against which FMIs are assessed lay emphasis on having effective governance framework and management of various risks, including legal, credit and liquidity risks. To begin with, the Reserve Bank will come out with directions on governance of domestic CCPs and their capital/net worth requirement, and recognition of foreign CCPs. At a later date, the Reserve Bank may come out with directions on risk management, if required.

### *Operationalisation of BBPS and TReDS*

IX.31 The BBPS will be made operational during 2016-17. The Reserve Bank will pursue with

other authorities/government for the speedier implementation of TReDS.

### *Promotion of Card Usage*

IX.32 The Reserve Bank, after taking into account the feedback received on the concept paper on 'Card Acceptance Infrastructure', and the findings of the pilot project being undertaken, will initiate a review of the extant policy on MDR to encourage wider adoption of card payments in the country. The review will also be complemented with a separate policy on enhancing card acceptance infrastructure in the country.

### *Electronification of Toll Collection*

IX.33 Toll payments, largely done in the form of cash payments, is another segment where efforts to migrate to electronic payments have been sporadic and isolated. Electronification of the toll collection systems on a pan-India basis in an interoperable environment will be encouraged and steps would be initiated to achieve this vision.

### *Customer Education and Awareness*

IX.34 The Reserve Bank, in collaboration with the stakeholders, would endeavour to enhance customer awareness through structured campaign and Electronic Banking Awareness and Training (e-BAAT) programme.

### *Customer Survey*

IX.35 The Reserve Bank will engage with various stakeholders/ professionals to conduct user/customer surveys over a period of time on specific aspects of payments systems. The findings of such surveys will not only provide insights into the use of existing payment products and processes by customers for meeting their various payment needs but also generate ideas for reviewing policies.

## DEPARTMENT OF INFORMATION TECHNOLOGY (DIT)

IX.36 Apart from policy formulation on information technology (IT) related aspects for the Reserve Bank, DIT continued to focus on managing and operating the Reserve Bank's critical IT systems including large value payment and settlement systems. A subsidiary was formed during the year, details of which are given in Box IX.2.

### Agenda for 2015-16: Implementation Status

#### *Extension of e-Receipts and e-Payments*

IX.37 The Reserve Bank, being the banker to central and state governments, has been striving for an efficient, secure and straight-through-processing (STP) based system for government receipts and payments. During the year, five state governments were on-boarded for processing their electronic payments. The reporting of government receipts by agency banks to the Reserve Bank wherein multiple state governments are participants, was also achieved during 2015-16.

#### *Support for Goods and Services Tax (GST)*

IX.38 The process flow for the proposed GST was designed on the basis of the 'Standardised e-Receipt model of e-Kuber', with the Reserve Bank playing the crucial role of an 'aggregator'

and a one-stop source for data reporting to the GST Network (GSTN). The Reserve Bank, in coordination with GSTN has been working to ensure that banks are well prepared for the GST rollout.

#### *Sovereign Gold Bonds (SGBs) and Priority Sector Lending Certificates (PSLCs)*

IX.39 In an effort to dissuade customers from buying physical gold, the SGB scheme was launched in November 2015. e-Kuber acted as the base system for processing applications under the scheme; it also acted as a registrar and depository for the issues. Distributing agents, that is, banks and post offices, were provided an online medium of transfer of information for their customers through e-Kuber. A system for facilitating transfer of PSLCs across banks was put in place and made operational from April 04, 2016.

#### *Information Security Operations Centre (iSOC)*

IX.40 Given the increased information security related threats, the Reserve Bank has embarked on setting up an iSOC. The iSOC project will enable centralised real-time supervision, early detection and response to security threats, proactive tracking and mitigation of enterprise-wide attacks in coordination with external agencies such as

### Box IX.2

#### Reserve Bank Information Technology Private Limited (ReBIT)

The process of operationalising the information technology (IT) subsidiary of the Reserve Bank is nearing completion. The CEO for the subsidiary has been appointed and selection of the vertical heads is underway. ReBIT, incorporated on July 4, 2016, will focus on the IT systems and cyber security (including related research) of the financial sector and assist in the audit and assessment of the entities regulated by the Reserve Bank. The mandate of the ReBIT also includes advising, implementing and managing the IT projects or systems of the Reserve Bank.

As a think-tank for innovation and big data analytics, it

is also expected to generate new ideas on IT solutions for the financial sector and participate in deliberations of IT standard setting bodies to achieve robust and interoperable standards for the Indian financial sector. ReBIT will have advisory committees to provide guidance on cyber security, current and futuristic requirements of the financial sector, particularly banks as also to the Reserve Bank on its IT systems and projects. The subsidiary will report periodically to the Reserve Bank's apex level committees including the Board for Financial Supervision, Board for Payment and Settlement Systems and the IT Sub-committee of the Board.

the Indian Computer Emergency Response Team (CERT-In). The iSOC is expected to be operational by the end of December 2016.

*Upgradation of NEFT and RTGS, and Virtualisation of IT infrastructure*

IX.41 Systemically important and other payment system applications, RTGS and NEFT systems, hosted in the Reserve Bank's data centres were upgraded substantially to take care of increasing volumes during the year, and all time daily high volume of more than 10 million NEFT transactions was processed smoothly.

IX.42 To overcome challenges in terms of cooling, power, space, agility and obsolescence of IT infrastructure, a project for IT infrastructure up-gradation was initiated using virtualisation technology. The project, which also envisages replacement of the aging network and security infrastructure with contemporary state-of-the-art systems is expected to be completed by January 2017.

*Mail Messaging Solution (MMS)*

IX.43 For improved security and ease of usage, the MMS was upgraded to work on the

MS Exchange 2013 platform with new features including the enterprise vault (EV) and email archiving systems.

**Agenda for 2016-17**

*Electronic Document Management System (EDMS)*

IX.44 EDMS is being introduced in the Reserve Bank for instituting a less paper-based system. This will entail some changes in the work processes and digitising of physical records. Vendor selection for all the offices of the Reserve Bank has been completed for the project with the aim to roll it out by July 2017.

*e-Kuber for Currency Management and Government Transactions*

IX.45 e-Kuber will be extended to cover the currency management function of the Reserve Bank. This will facilitate holistic and integrated accounting of the cash management function within a single centralised system. Vigorous efforts will be made to on-board more state governments and central government departments in the standardised e-receipt and e-payment model of e-Kuber.

# X

## GOVERNANCE, HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

*In continuation with past efforts, several initiatives in the arena of, inter-alia, human resource development, research and data dissemination, ERM, international relations and promotion of Rajbhasha marked the year 2015-16. As part of the drive to spread knowledge on financial, monetary and economic matters, a national level competition (RBI Policy Challenge) targeted at under/post graduate students was launched during the year. The Bank continued with flagship publications, research articles and conferences; the scope of data dissemination was also expanded considerably during 2015-16. The Reserve Bank's innovative process for preparing the risk registers was adjudged as an international best practice. In the international arena, India took a leadership role which got reflected in the BRICS contingent reserve arrangement (CRA) and SAARCFINANCE Symposium. Several special programmes were organized during 2015-16 as part of the celebration of the Rajbhasha Golden Jubilee Year.*

X.1 This chapter summarises the achievements of a number of departments during 2015-16, and sets priorities/agendas for 2016-17. It takes note of the changes in the organisational structure, governance developments and strengthening of human resources in terms of new recruitments and updating the skills and knowledge of existing staff members using several innovative channels. Further, with a view to disseminating knowledge regarding financial, monetary and economic matters amongst students, the Reserve Bank launched several national-level competitions such as quizzes, essay writing and problem solving in interesting formats.

X.2 In the international arena, the year was marked by India's leadership role among the emerging market economies (EMEs), which was reflected in the work related to BRICS contingent reserve arrangement (CRA); hosting of the SAARCFINANCE Governors' Symposium; being an important voice in the international financial architecture, global financial regulatory issues and green finance; and the structural reform agenda under the Chinese presidency of the G20. In addition, pivotal standards were

achieved in statutory publications, policy based research, seminars, data management, surveys and data dissemination standards using state-of-the-art technology in reporting systems. The communication policy also crossed all previous benchmarks, with connectivity to social media sites, Banking Hall events, awareness campaigns and outreach programmes.

X.3 With a view to developing an integrated assessment of risk, a 3-phase Enterprise-wide Risk Management (ERM) framework was pursued during 2015-16. Internal audit exercises were also undertaken in the Reserve Bank for risk assessment and assurance. Two departments focused on achieving cost and operational efficiency during the year, including the initiation of the Darpan (EDMS) project. Besides compliance with statutory provisions of the Official Language Act, the Rajbhasha Department also organised several trainings, conferences and seminars while the Premises Department continued with its endeavours of creating, maintaining and upgrading the Reserve Bank's infrastructure. Several legal landmarks were also achieved during the year.



## GOVERNANCE STRUCTURE

X.4 The Central Board of Directors, with the Governor in the Chair, is the apex body in the governance structure of the Reserve Bank. It comprises of the Governor and Deputy Governors of the Reserve Bank, government nominees and independent directors. There are four Local Boards for the northern, southern, eastern and western areas of the country which take care of local interests. The Government of India (GoI) appoints/nominates directors to the Central Board and Members to the Local Boards in accordance with the Reserve Bank of India Act, 1934. The Central Board is assisted by three committees – the Committee of the Central Board (CCB), the Board for Financial Supervision (BFS) and the Board for Regulation and Supervision of Payment and Settlement Systems (BPSS). These committees are headed by the Governor. In addition, the Central Board also has four sub-committees – the Audit and Risk Management Sub-Committee (ARMS), the Human Resource Management Sub-Committee (HRM-SC), the Building Sub-Committee (BSC) and the Information Technology Sub-Committee (IT-SC). These sub-committees are typically headed by an independent Director.

### *Meetings of the Central Board and CCB*

X.5 The Central Board held six meetings during 2015-16 in Chennai, Mumbai (two meetings), Aizawl, Kolkata and New Delhi. The Finance Minister of India addressed the post-Budget meeting held in New Delhi on March 12, 2016. The Governor interacted with the Governor of Mizoram and the Chief Minister of Mizoram in Aizawl on October 15, 2015. The meeting focused on financial inclusion and credit delivery in the state.

X.6 CCB held 47 meetings during the year, 22 of which were held through electronic mode. CCB attended to the current business of the Reserve Bank, including approval of its Weekly Statement of Affairs. External directors were invited to the CCB meetings by rotation.

X.7 The Standing Committee of the Central Board set up in 2014-15 to look into important concerns pertaining to a region where Local Boards are not able to function, held meetings in each of the four regions (four meetings in all) to discuss region-specific issues and concerns.

### *Attendance of Directors*

X.8 The details of participation of the directors in the meetings of the Central Board, its committees and sub-committees are annexed.

### *Central Board/ Local Boards – Changes*

X.9 Dr. Urjit R. Patel was re-appointed Deputy Governor for a further period of three years with effect from January 11, 2016. Shri Harun R. Khan relinquished charge as Deputy Governor in the forenoon of July 04, 2016 on completion of his tenure. Shri N.S. Vishwanathan was appointed Deputy Governor for a period of three years from July 04, 2016 *vice* Shri Khan.

X.10 Ms Anjuly Chib Duggal, Secretary, Department of Financial Services, Ministry of Finance, GoI and Shri Shaktikanta Das, Secretary, Department of Economic Affairs, Ministry of Finance, GoI were nominated as directors on the Central Board under Section 8(1)(d) of the Reserve Bank of India Act, 1934 with effect from September 03, 2015 and October 30, 2015 *vice* Dr. Has Mukh Adhia and Shri Ajay Tyagi respectively.

X.11 Shri Natarajan Chandrasekaran, Shri Bharat Narotam Doshi and Shri Sudhir

Mankad were nominated as directors on the Central Board of Directors of the Reserve Bank under Section 8(1)(c) of the Reserve Bank of India Act, 1934 for a period of four years with effect from March 04, 2016.

X.12 Shri Dipankar Gupta, Shri G.M. Rao, Smt Ela Bhatt, Professor Indira Rajaraman and Shri Y.H. Malegam, directors on the Central Board nominated under Section 8(1)(c) of the Reserve Bank of India Act, 1934 ceased to be members of the Board on the expiry of their terms.

X.13 Shri Kiran Karnik and Dr. Anil Kakodkar ceased to be members of the western and northern area Local Boards respectively on the expiry of their terms on September 22, 2015. Consequently and concurrently, they also ceased to be members of the Central Board. Smt Anila Kumari and Shri Sharif Uz-zaman Laskar ceased to be members of the eastern area Local Board on the expiry of their terms. Shri A. Naveen Bhandari ceased to be a member of the northern area Local Board on the expiry of his term. Shri K. Selvaraj and Shri Kiran Pandurang ceased to be members of the southern area Local Board on the expiry of their terms.

#### *Executive Directors - Changes*

X.14 Shri Jasbir Singh and Shri P. Vijaya Bhaskar, Executive Directors retired on October 31, 2015 and February 29, 2016, respectively. Shri Deepak Singhal and Shri B.P. Kanungo were promoted as Executive Directors effective November 01, 2015 and March 01, 2016, respectively. Shri Sudarshan Sen was promoted as Executive Director effective July 04, 2016.

#### *Obituary*

X.15 Shri S. S. Tarapore, Deputy Governor of the Reserve Bank of India (January 30, 1992 to September 30, 1996) passed away in Mumbai on February 02, 2016.

#### **Agenda for 2016-17**

X.16 E-meetings for the Committee of the Central Board (CCB) were introduced in 2014. These meetings are held in alternate weeks as an effort to optimise executives' time and cost of governance. As this system stabilises, the frequency of e-meetings from July 2016 will be increased, while having at least one face-to-face meeting every month. Further, as an environment friendly initiative, agenda notes for various meetings of the Central Board and its committees/sub-committees are proposed to be provided to the participants in soft form. Work of art will also be acquired for display in the Reserve Bank's properties with a view to recognising and encouraging budding artists. An art acquisition policy has been framed for this purpose.

#### **COMMUNICATION PROCESSES**

X.17 The Reserve Bank continues to uphold its goal of having a dynamic communication policy to enable swift responses to domestic and international developments. Within this overall goal, the Department of Communication strives to build and nurture a fruitful and beneficial partnership between the Reserve Bank and the public through a two-way communication. It not only disseminates policy and its rationale to various stakeholders in a transparent, timely and credible manner but also strives to obtain continuous feedback on the policy.

#### **Agenda for 2015-16: Implementation Status**

##### *The Website*

X.18 The refurbished website of the Reserve Bank was launched in April 2015 strengthening the department's communication tools. With technological up-gradation, the website is now rendered in a more user-friendly manner. The website is also integrated with two social media sites, Twitter and YouTube. While all important

releases get tweeted automatically as soon as they are published on the website, YouTube publishes speeches, media interviews and press conferences of the top management. The Governor's post-policy conferences on the bi-monthly statements on monetary policy along with his interviews to television channels were disseminated through YouTube along with live streaming on the Reserve Bank's website. The channel also shows financial education films produced by the Reserve Bank. This process is being taken forward this year to add Facebook and LinkedIn to showcase the Reserve Bank as a more attractive and accessible institution to the youth.

#### *Review of the Communication Policy*

X.19 A committee was set up to review the Reserve Bank's communication policy under the chairmanship of the Executive Director, Dr. M. D. Patra. The committee held several meetings to deliberate on various issues of relevance and submitted its report to the Deputy Governor in charge of communication.

#### *Monetary Policy Communication*

X.20 Intensive communication activities were carried out to disseminate each bi-monthly monetary policy announcement. Apart from press conferences and teleconferences with researchers and analysts, interviews of the Governor with media were also conducted in English and Hindi.

#### *Banking Hall Events*

X.21 During 2015-16, in an attempt to improve internal communication, the department organised Banking Hall events for the Governor to interact with staff members in its various offices. During the year six Banking Hall events were organised (in Chennai, Mumbai, Thiruvananthapuram, Jammu, Bhopal and Bhubaneswar).

### **Awareness Campaigns and Advertisements**

#### *Fictitious Emails*

X.22 A public awareness campaign on fictitious emails offering money titled – 'Don't get cheated by emails/SMSs/calls/fake credit cards promising you money' was released on FM channels including Prasar Bharti, All India Radio and other private channels in November and December 2015.

#### *Sovereign Gold Bonds*

X.23 Public awareness campaigns on the Sovereign Gold Bond scheme (SGB), 2015 were aired on November 18 and 19, 2015 on FM channels. Two rounds of the public awareness campaign on the SGB scheme, 2015 were released in newspapers in January and March 2016 in English, Hindi and 11 vernacular languages.

#### *Additional Security Features of Bank Notes*

X.24 To highlight the three additional features of bank notes introduced in 2015-16, the Reserve Bank, jointly with the Department of Consumer Affairs, Ministry of Consumer Affairs conducted an awareness campaign on currency in September 2015 under its 'जागो ग्राहक जागो' campaign. The campaign was undertaken in 13 languages in three different design sets in 1,055 newspapers all over the country.

#### *Advertisements*

X.25 On behalf of various departments, 127 regular advertisements were published in English, Hindi and vernacular newspapers during July 2015 and June 2016. These advertisements comprised notices for tenders, recruitment, request for proposals and expressions of interest.

#### *Workshops for the Media*

X.26 Since the media is the main interlocutor for the Reserve Bank, the department endeavours to respond to media queries and suggestions in a

time-bound fashion. The Reserve Bank organises informal briefings/workshops for the media to enhance its understanding and also the reach of major policy announcements made by the Reserve Bank as well as its publications, such as, the Annual Report and the Financial Stability Report. As in the past, the department arranged an annual workshop on the Reserve Bank's role and functions for the media. During 2015-16, the department also organised workshop for mediapersons from Nepal on a request from the Nepal Rastra Bank.

#### Agenda for 2016-17

X.27 The Department of Communication will continue its engagement with stakeholders by conducting workshops/sessions for the media on important regulatory and banking related issues. New consumer awareness programmes will be carried out in coordination with concerned departments. In addition, the department will also continue educating citizens through advertisements and radio/TV campaigns. This will be undertaken as per the needs of the Reserve Bank's departments. Websites for the common man and financial education will be integrated with

the Reserve Bank's main website. Engagements with stakeholders will also be carried out through Facebook and LinkedIn.

#### HUMAN RESOURCE INITIATIVES

X.28 The Human Resource Management Department (HRMD) operates on a broad-based framework, facilitating the Reserve Bank's central banking activities by enhancing efficiency, drawing out the best from staff members and creating an atmosphere of trust.

#### Regulatory/Other Developments

##### Training

X.29 The Reserve Bank strives to impart necessary knowledge and skill up-gradation for developing the technical and behavioural skills of its human resources. It also helps employees in attaining personal growth and improving their effectiveness at work. The six training establishments of the Reserve Bank – the Reserve Bank Staff College (RBSC), Chennai; College of Agricultural Banking (CAB), Pune; and four Zonal Training Centres (ZTCs) in Mumbai, New Delhi, Kolkata and Chennai – cater to its training requirements (Table X.1).

**Table X.1: Reserve Bank Training Establishments - Programmes Conducted (July-June)**

Training Establishment	2013-14		2014-15		2015-16	
	Number of Programmes	Number of Participants	Number of Programmes	Number of Participants	Number of Programmes	Number of Participants
1	2	3	4	5	6	7
RBSC, Chennai	105	2,560	141	2,626*	125	2,741*
CAB, Pune	127	3,909	215	7,183*	198**	7,580*
ZTCs (Class I)	99	2,222	105	2,241	97	2,055
ZTCs (Class III)	70	1,510	98	2,036	102	2,247
ZTCs (Class IV)	37	725	53	1,041	38	807

**Note** \* : Includes foreign participants.

\*\* : Includes National Mission for Capacity Building of Bankers for Financing MSME Sector (NAMCABS) programmes held offsite.

### *Training at External Institutions*

X.30 During 2015-16, 470 officers were deputed by the Reserve Bank to participate in training programmes, seminars and conferences organised by external management/banking institutions in India. The Reserve Bank also deputed 599 officers to attend various training courses, seminars, conferences and workshops conducted by banking and financial institutions and multilateral institutions in more than 55 countries (Table X.2).

### *Golden Jubilee Scholarship and Study Leave Schemes*

X.31 The Golden Jubilee Scholarship scheme was reviewed in 2015. The number of officers to be selected for studying abroad was increased from six to eight and the upper age limit increased from 45 to 48 years. In 2015, eight officers were awarded this scholarship. Ten officers of the Reserve Bank availed of different schemes for pursuing higher studies other than the Golden Jubilee scheme during the year. Further, 325 employees pursued select part-time/distance education courses under the Reserve Bank's incentive scheme.

### *Grants and Endowments*

X.32 Towards promoting research, training and consultancy in the banking and financial sector, the Reserve Bank provided financial support of ₹260 million to the Indira Gandhi Institute of Development Research (IGIDR), Mumbai; ₹60 million to the Centre for Advanced Financial

Research and Learning (CAFRAL), Mumbai; ₹15.4 million to the National Institute of Bank Management (NIBM), Pune; ₹3.7 million to the Indian Institute of Bank Management (IIBM), Guwahati; and ₹9.7 million to the London School of Economics (LSE) India observatory and the I.G. Patel Chair, London.

### *Industrial Relations*

X.33 Industrial relations in the Reserve Bank by and large remained peaceful during the year. The Reserve Bank continued to hold periodic meetings with recognised associations/federations of officers and employees/workmen on various matters related to service conditions and welfare measures for employees. The Reserve Bank also revised its employees pay and allowances during the year.

### *Superannuation Benefits*

X.34 A demand from pensioners/retirees relating to improvements in pension conditions remained unresolved and the Reserve Bank is still engaged in discussions with the Government of India for its early resolution.

### *Recruitments and Staff Strength*

X.35 During 2015 (January-December), the Reserve Bank recruited 723 employees. Of this, 96 belonged to Scheduled Castes (SCs) and 54 to Scheduled Tribes (STs), constituting 20.75 per cent of the total recruitments (Table X.3).

X.36 The changes introduced in the recruitment process have led to a reduction in the recruitment cycle for Grade 'B' (Direct Recruit) officers from more than 14 months in 2012-13 to about 6 months in 2015-16.

X.37 The total staff strength of the Reserve Bank as on December 31, 2015 was 15,854 as compared to 16,794 a year ago. Of the total staff

**Table X.2: Number of Officers Trained in External Training Institutions in India and Abroad**

Year	Trained in India	Trained abroad
1	2	3
2013 - 14	798	530
2014 - 15	906	562
2015 - 16	470	599

**Table X.3: Recruitment by the Reserve Bank in 2015\***

Category of recruitment	Category-wise strength				
	Total	of which		Per cent of total	
		SC	ST	SC	ST
1	2	3	4	5	6
Class I	128	10	8	7.81	6.25
Class III	553	83	42	15.01	7.59
Class IV					
(a) Maintenance Attendant	-	-	-	-	-
(b) Others	42	3	4	7.14	9.52
<b>Total</b>	<b>723</b>	<b>96</b>	<b>54</b>	<b>13.28</b>	<b>7.47</b>

\* January-December

strength, 19.55 per cent belonged to SCs and 6.63 per cent belonged to STs (Table X.4).

X.38 The number of full-time employees in the Reserve Bank stood at 15,693 as on June 30, 2016. Of these, 6,932 were in Class I, 4,119 in Class III and 4,642 in Class IV categories.

X.39 During 2015 (January-December), four meetings of the management and representatives of the All India Reserve Bank Scheduled Castes/ Scheduled Tribes and the Buddhist Federation were held to discuss issues relating to the implementation of the Reserve Bank's reservation

policy. In accordance with the central government's policy, the Reserve Bank is providing reservation to Other Backward Classes (OBCs), effective September 08, 1993. The number of OBCs (recruited after September 1993) in the Reserve Bank as on December 31, 2015 was 1,923. Of these, 560 were in Class I, 729 in Class III and 634 in Class IV categories.

X.40 The total strength of ex-servicemen in the Reserve Bank as on December 31, 2015 stood at 991. Of these, 187 were in Class I, 169 in Class III and 635 in Class IV categories. There were 215, 85 and 91 physically challenged employees in Class I, Class III and Class IV cadres respectively as on December 31, 2015.

#### *Prevention of Sexual Harassment of Women at the Workplace*

X.41 The formal grievance redressal mechanism for prevention of sexual harassment of women at the workplace, in place since 1998, was further strengthened with the issue of a new set of comprehensive guidelines in 2014-15 in accordance with the Sexual Harassment of Women at the Workplace (Prohibition, Prevention and Redressal) Act and Rules, 2013. No complaint of sexual harassment was received in 2015.

**Table X.4: Staff Strength of the Reserve Bank\***

Category	Category-wise strength						Per cent to total strength	
	Total Strength		SC		ST		SC	ST
	2014	2015	2014	2015	2014	2015	2015	
	1	2	3	4	5	6	7	8
Class I	7,565	7,233	1,128	1,062	479	434	14.7	6.0
Class III	3,573	3,756	499	552	193	212	14.7	5.6
Class IV	5,656	4,865	1,740	1,486	446	405	30.5	8.3
<b>Total</b>	<b>16,794</b>	<b>15,854</b>	<b>3,367</b>	<b>3,100</b>	<b>1,118</b>	<b>1,051</b>	<b>19.6</b>	<b>6.6</b>

\*: End December

X.42 During the year, a number of awareness programmes were organised at various Regional Offices on the mechanisms in place in the Reserve Bank. Besides, the Reserve Bank's training college in Chennai also conducted a gender sensitisation programme for members of the Complaints Committee. Further, an all-India seminar on the theme 'Prohibition, prevention and redressal of sexual harassment of women at the workplace – implementation & way forward' was organised during March 03-05, 2016 in which representatives from the Complaints Committees in all the Regional Offices participated.

#### *Right to Information (RTI)*

X.43 The Reserve Bank received 11,758 requests for information and 1,477 first appeals under the RTI Act during 2015-16, all of which were responded to. Six training programmes on the RTI Act were conducted for employees at the Reserve Bank's training centres.

#### *Samadhan and Other Initiatives*

X.44 Samadhan, a human resource (HR) transformation project, was taken up by the Reserve Bank in 2014-15 to deliver uniform and rule-based HR services to its employees. The first phase of its implementation is nearing

completion. The project has gone live with salary and benefits modules and a few advances. The portal has been made available to all users of the Reserve Bank. Once the first phase is complete, the implementation of the second phase will be initiated.

#### *Senior Management Retreat*

X.45 The Reserve Bank's Senior Management Retreat for 2015 was held in October 2015 on the broad theme, 'Public oversight and internal governance: The optimal mix and how to achieve it.'

#### *RBIQ and The RBI Policy Challenge*

X.46 The RBI quiz, which was introduced by the Reserve Bank in 2012, was conducted in 62 locations across the country during 2015. It drew an enthusiastic response from school students. Zonal and national finals were conducted in Mumbai and telecast on Doordarshan's National Channel.

X.47 To spread knowledge on financial monetary and economic matters among students, the Bank launched a national level competition, 'The RBI Policy Challenge', in January, 2016 (Box X.1).

### **Box X.1**

#### **The RBI Policy Challenge: A National Level Competition for Students**

Building on the success of RBIQ which covers school students and with a view to further spreading knowledge on financial, monetary and economic matters amongst the student community, the Reserve Bank launched a national level competition titled, 'The RBI Policy Challenge' in January 2016. Targeted at under-graduate and post-graduate students, it tested essay writing, problem solving and presentation skills of the participants.

The competition had three rounds: regional, zonal and national. More than 260 reputed institutions from across the country participated in the competition and four teams eventually made it to the final which was conducted at the Reserve Bank's Central Office in Mumbai on April 05, 2016. A

monetary policy related topic was assigned to the teams in the forenoon and each team made a 15-minute presentation in the afternoon before a select panel headed by the Governor. This was followed by a 'question & answer' session in which the participants responded to queries posed by the panellists, members of the press and the audience.

Teams from the Indian Institute of Foreign Trade (IIFT), Delhi and the Indian Institute of Management (IIM), Raipur emerged as the joint winners of the inaugural edition of this annual event. Besides a trophy and a cash prize of ₹1 lakh per team, members of both teams also won an offer to intern with the Reserve Bank for up to three months in a department of their choice.

## Agenda for 2015-16: Implementation Status

### *RBI Academy*

X.48 The RBI Academy is visualised as an apex institution for central banking studies in the Southeast Asian region. This institution is based in Mumbai and fully funded by the Reserve Bank. The Academy will address knowledge gaps and training needs of officers of the Reserve Bank. Eventually, the training programmes, especially programmes like MBA in Central Banking, will be offered and opened up to officers of central banks of other countries. Initially the Academy is expected to cover courses on risk management, macroeconomics, monetary economics and strategic and human resource management. It is expected that subject experts from renowned academic institutions will form a part of the faculty administering the courses. It is also envisaged that over a period of time, the Academy will cater to the training needs of bankers, government officials and other financial institutions.

### *Competency based HR Framework*

X.49 A competency framework comprising the required core behavioural, operational and leadership competencies for various roles in the Reserve Bank was envisaged to integrate and align all its major HR policies including placement, performance management/development, skill gap analyses and training. Competency mapping exercise for two departments (the Department of External Investments & Operations and the Department of Banking Regulation) is being taken up on a pilot basis through empanelled consultants. Based on the experience gained, the exercise will be extended to the entire Reserve Bank in due course. A Steering Committee has been formed to monitor the pilot project.

### *HR Units*

X.50 HR units have been set up in the Reserve Bank's Central Office departments and Regional Offices to strengthen the HR developmental functions of the Reserve Bank.

### *Structured e-learning*

X.51 The Reserve Bank will introduce structured e-learning with courses targeted at larger groups of staff members. The development of the first few modules is expected to commence shortly. This will be an on-going process with newer modules being prepared and hosted on Samadhan's Learning Management System module.

### *Common Cadre Recruitment*

X.52 The Reserve Bank has introduced the concept of common cadre recruitments. Under the revised recruitment process, the officers recruited will have common seniority instead of separate cadre seniority for economists, statisticians and the general cadre.

## Agenda for 2016-17

X.53 A manpower planning exercise has been undertaken to evaluate and firm up the Reserve Bank's manpower requirements in the next five years. This will form the cornerstone for the Reserve Bank's HR policies during this period.

### **ENTERPRISE-WIDE RISK MANAGEMENT IN THE RESERVE BANK**

X.54 With a view to developing an integrated assessment and management of the risks faced by the Reserve Bank in conformity with its articulated risk policies, an enterprise-wide risk management (ERM) framework was adopted in February 2012, marking a move from a 'silo-based' approach to a 'whole-of-business' perspective to risk management in the Reserve Bank. During 2015-16, this process was taken forward by the Risk Monitoring Department.



### *Three-phase Rollout Plan*

X.55 The first phase of the 3-phase ERM rollout plan was completed with the creation of a Risk Governance Structure<sup>1</sup> (RGS) and a 3-tier Risk Management Structure<sup>2</sup>, laying down ERM policies, methodologies for risk ratings, framework for risk reporting by Business Areas (BAs) and preparation of risk registers (RRs) to create a risk profile of each BA. The second phase envisages articulation of the Reserve Bank's risk appetite and tolerance limits by RGS while also attempting a quantification of operational risks. In the final stage of ERM implementation, the need and scope for shifting the Middle Office functions in the Reserve Bank to its Risk Monitoring Department (RMD) and greater involvement of the department in evaluating policy risks will be considered.

#### **Agenda for 2015-16: Implementation Status**

X.56 During 2015-16, RRs of 13 BAs were completed and approved by RGS, while for the remaining 19 departments, RRs are in advanced stages of completion. Further, a mechanism for a periodic review of risk events (based on incident reports submitted by BAs) has been put in place and monitoring of high-risk events up to their eventual closure from the risk perspective has started.

X.57 A risk awareness campaign for strengthening the risk culture in the Reserve

Bank, initiated in 2014-15, was continued during 2015-16 through risk seminars for senior officers, classroom discussions in the Reserve Bank's Training Establishments (TEs) and through developing case studies based on actual/unique incidents which offered scope for learning and enhancing risk awareness. Besides, risk awareness programmes were conducted for Regional Directors/Chief General Managers/Officers-in-Charge as part of a top-down approach for strengthening a risk culture. Risk surveys of the Reserve Bank's senior officers were conducted to identify emerging risks for the Reserve Bank. RGS reviewed the survey responses and directed initiation of appropriate risk mitigation measures. Risk conferences were also conducted in 2015-16 for the Senior Risk Officers and Risk Officers identified in each BA.

X.58 Being a relatively new function in central banks the world over, ERM offers considerable scope for peer-to-peer learning with regard to evolving ERM practices and processes. In this direction, having joined the International Operational Risk Working Group<sup>3</sup> (IORWG) in 2014, the Reserve Bank has been regularly participating in its endeavours. In order to assess and improve its Incident Reporting System, the Reserve Bank surveyed practices in other member central banks. The survey findings provided valuable inputs for strengthening the Reserve Bank's incident reporting framework. Besides,

<sup>1</sup> The Reserve Bank's RGS is a 3-tier structure comprising of the Risk Monitoring Committee (RMC), the Audit and Risk Management Sub-Committee of the Board (ARMS) and the Central Board. RMC is a top executive level committee that supports ARMS in monitoring the risk management oversight in the Reserve Bank under the over arching guidance of the Central Board.

<sup>2</sup> The Risk Management Structure is a 3-layer arrangement with the Business Area (BA), the risk monitoring function and the Reserve Bank's internal audit system forming the three lines of defence against risks. As the first line of defence, the BAs identify and manage their own risks, the risk monitoring function as the second line of defence provides policies and methodologies for identifying and rating risks and aggregates and reports the risks to RGS. The internal audit as the final line of defence operates through its on-site audit which provides assurances to RGS about the implementation and status of risk management in the Reserve Bank.

<sup>3</sup> IORWG is a group of over 69 central banks and the Bank for International Settlements, which undertakes research, identifies and shares best practices and acts as a centre of competence in operational risk management. It is co-chaired by the Central Bank of Spain and the Federal Reserve Bank of Philadelphia.

**Box X.2****IORWG Survey: RBI's Process Adjudged as an International Best Practice**

The International Operational Risk Working Group (IORWG) acts as a centre of competence in operational risk management (ORM) for central banks (CBs) with a view to ensuring that their current risk management approaches are commensurate with the level and nature of their operational risk exposures. In pursuance of its objectives, the group shares best practices for addressing various aspects in the current risk management framework, methods used, implementation challenges and the lessons learnt from past operational failures with its members. IORWG and its members conduct surveys of member CBs, analyse the data and share the final outcomes of the surveys, which are useful for self-assessing the CBs' standing in operational risk monitoring.

In 2016, the IORWG, *inter alia*, conducted a survey to identify the best practices adopted by CBs in ORM. As part of the survey, IORWG studied the methodology used by the Reserve Bank for preparing its RRs. The use of domain

experts in this process was adjudged as an international best practice, fit for emulation by other member central banks. IORWG's compilation of best practices noted: *'In the Reserve Bank Risk Unit adopted an innovative approach by including Domain Experts for vetting the RRs. These Domain Experts are officers of the Central Bank who have worked as resource person/s in the BA in the recent past but are presently not posted in the concerned BA. This approach has helped in imparting objectivity and granularity in the process of finalising of the RR and enhanced its quality. The identified Domain Experts were provided exposure by the Risk Unit (through workshop/training programme/interactions) on the risk management concepts and methodology for vetting the RR. Thus, the Domain Experts acted as extensions of the Central Risk Unit and helped in ensuring that the coverage in the RRs was exhaustive and the risk ratings were objective and in consonance with the approved risk assessment methodology.'*

the Reserve Bank has also been responding to surveys conducted by other central banks and by the IORWG. Based on its responses to such surveys, one of the elements of the process for preparing RRs adopted in the Reserve Bank has been adjudged as an international best practice for emulation by other central banks. Details of IORWG's process of compiling best practices are given in Box X.2.

*Financial Risk Management*

X.59 In line with international best practices, the Reserve Bank prepared a draft economic capital/provisioning framework to assess its risk-buffer requirements in a structured and systematic manner. It is envisaged that this framework will also be used for determining the surplus transferable each year by the Reserve Bank to the Government of India. Based on this framework, a risk-reporting mechanism has been implemented for the Reserve Bank to periodically

report on the balance sheet and other risks faced by it to RGS.

**Agenda for 2016-17**

X.60 The remaining 19 RRs will be finalised during 2016-17. Risk profiles and heat maps for each BA and of the Reserve Bank as a whole will be generated to facilitate an enterprise-wide review of risks by the RGS. Measures to enhance reporting of incidents, including expanding the universe of eligible reporters of incidents and strengthening the risk culture in the Reserve Bank will also be pursued. The patterns and causes of risk events as reflected in incident reports will continue to be analysed on an on-going basis with a view to preventing their recurrence. Risk surveys will be conducted to monitor emerging risks and also for reviewing the top risks faced by the Reserve Bank. Vigorous efforts for fostering risk awareness at all levels and across all locations in the Reserve Bank will be persevered with a view

to deepening its risk culture. The risk reporting software, developed in-house in 2014-15, will be revamped and made web-enabled to facilitate closer oversight as well as management of risks in the Reserve Bank.

X.61 During the year, the focus will also be on the rollout of a Risk Appetite Framework (RAF) in the Reserve Bank. On the finalisation of the Risk Tolerance Statement (RTS), the next step will entail a comprehensive review of the extant Risk Tolerance Limits (RTLs) in various BAs.

X.62 The Reserve Bank is slated to host the 12<sup>th</sup> edition of the Central Bank Risk Managers' Conference (CBRMC)<sup>4</sup> in November 2016, with 'Economic Capital Frameworks of Central Banks' as its theme.

#### **INTERNAL AUDIT/INSPECTION IN THE RESERVE BANK**

X.63 Internal audit exercises undertaken by the Inspection Department provide risk assurance to the top management. The inspections are conducted under the Risk Based Internal Audit (RBIA) framework and include an information system audit carried out by specialist empanelled officers.

#### **Agenda for 2015-16: Implementation Status**

X.64 The focus of inspection is shifting from a transaction-based approach to a risk-based methodology. The departments of the Central Office are in the process of preparing risk registers (RRs) in consonance with RMD and getting them approved by the Risk Monitoring Committee. The scope of the Audit Management System (AMS) has been enlarged to incorporate risk monitoring functions; it has also been rechristened as the

Audit Management and Risk Monitoring System (AMRMS). The work for system requirement specifications is under process. With regard to Vulnerability Assessment and Penetration Testing (VA-PT), the empanelment process for external audit firms in terms of the Technical Advisory Group's (TAG) recommendations has been completed and the VA-PT of certain critical applications has been undertaken. In December 2015, the department issued detailed guidelines on the revised methodology for appointing concurrent auditors, delineating a 2-stage process of technical and financial biddings. Draft guidelines for project audit are under finalisation.

#### **Agenda for 2016-17**

X.65 An information security (IS) audit as part of the RBIA is undertaken with reference to the IS policy of the Reserve Bank. In this context, the Inspection Department will put in place a standard operating procedure or checklist for IS auditors. During the year, the focus will be on implementing AMRMS by providing end-to-end solutions for automating the process from inspection planning to final closure of inspection reports. The process of preparing RFP/scope of VA-PT for select critical IT applications is underway. The modalities for conducting a technology audit/VA-PT of select critical IT applications will also be worked out.

#### **INTERNATIONAL RELATIONS**

X.66 Given its mandate to act as a nodal unit for international financial diplomacy to further national interests, the International Department continued its efforts towards promoting international macroeconomic policy coordination, driving global policy agenda and contributing to global regulatory standard-setting.

<sup>4</sup> CBRMC is a forum launched by BIS in 2004 and events have been organised by various central banks around the world. The forum is attended by senior officials from leading central banks who are responsible for developing and implementing risk management policies or processes linked to foreign exchange reserves and balance sheet exposures.

### Agenda 2015-16: Implementation Status

X.67 India was the leading voice from EMEs in finalising common international standards on the Total Loss Absorbing Capacity (TLAC) for global systemically important banks (G-SIBs). In collaboration with other concerned departments, the International Department made detailed presentations to help articulate India's position on key regulatory issues of TLAC, Liquidity Coverage Ratio (LCR), capital requirements for sovereign assets, leverage ratio and reforms in the OTC derivatives market as per G20 commitments. Central bank liquidity to central counterparties and recovery and resolution regime were the other aspects covered by the department.

X.68 Work relating to the BRICS Contingent Reserve Arrangement (CRA) was completed, consequent to which BRICS central banks opened local currency denominated swap accounts in their books in favour of one another, making CRA operational.

X.69 The International Department hosted a 2-day SAARCFINANCE Governors' Symposium on the 'Impact of Chinese Slowdown on SAARC Region and Policy Options' during May 26-27, 2016 in Mumbai. The symposium was attended by governors/deputy governors of central banks, senior officials from the ministries of finance of SAARC countries, experts from IMF, BIS and several other dignitaries. The SAARCFINANCE database, which is one of the major areas of cooperation among the SAARCFINANCE Group, has been developed by the Reserve Bank in collaboration with other SAARC central banks. This was launched for the general public to promote research activities in the SAARC region.

X.70 India holding the co-chair of the G20 Framework Working Group (FWG), the International Department worked in close collaboration with the Government of India for

shaping India's growth strategy for the G20 Antalya Action Plan in 2015. During 2016, the International Department also played a key role in deciding the nine priority areas of structural reforms, a set of principles guiding them and a set of indicators to help monitor and assess the progress of structural reforms in G20 jurisdictions.

X.71 India was peer reviewed by the Financial Stability Board (FSB) in two major areas - the macro-prudential policy framework and regulation and supervision of non-banking financial companies (NBFCs). The department has been contributing to and coordinating various thematic reviews undertaken by FSB such as shadow banking, OTC market reforms and resolution regimes. The department also played an effective role in furthering country position on a range of international financial architecture issues in the G20 Working Group. Some of the important regulatory issues currently under discussion included fin tech and credit intermediation, the CCP work plan and PFMI implementation, and resolution framework. The department also coordinated the IMF's Article IV consultations in coordination with the Government of India.

X.72 The department joined hands with the International Monetary Fund's Institute for Capacity Development (ICD) and the College of Agricultural Banking (CAB), Pune to organise an intensive one-week course on 'Early Warning Exercise' in February 2016 at CAB, Pune. Given the importance of a comprehensive and comparable database, a seminar on the SAARCFINANCE database was organised for the officials of SAARC member countries for making available time series data on select macroeconomic indicators during December 8-9, 2015 at the Reserve Bank, Mumbai. During 2015-16, the department also organised 40 exposure visits by leading global universities, officials from central banks and international standard setting bodies.

## Agenda for 2016-17

X.73 The International Department will continue to be active in driving the global agenda from the Indian perspective at the G20, BIS, FSB and IMF. The department will continue to work along with the Government to shape the national growth strategy for the G20 Hangzhou Action Plan and provide analytical inputs on issues currently under discussion at various international fora. The department will also play an active role in discussions on green finance (Box X.3). The department will work closely with the Government of India towards 15<sup>th</sup> IMF's General Review of Quotas, including a new quota formula. Besides,

the department will continue to work on a host of global financial/regulatory issues.

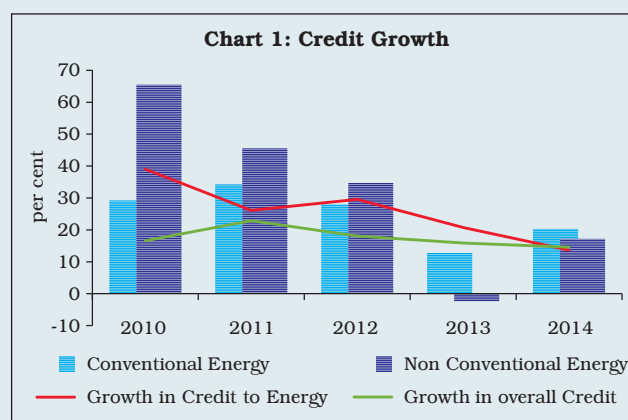
X.74 During 2016, India assumed the Chair of BRICS. The department will continue to work with the Government of India in driving BRICS agenda in her capacity as the Chair.

X.75 The department will continue to play a key role in spearheading the SAARCFINANCE roadmap including the database initiative, capacity building and a Joint Technical Coordination Committee with Nepal. India will undergo the Financial Stability Assessment Programme (FSAP) by the Fund-Bank during 2017, which will be coordinated by the department.

### Box X.3 Green Finance: An Analysis

With the objective of exploring ways and sharing knowledge on the modalities for mobilising more private capital for green investments, either directly or via financial intermediaries, a Green Finance Study Group (GFSG) was set up post G20 Finance and Central Bank Deputies meeting at Sanya in China in December 2015. GFSG submitted its report, 'G20 Green Finance Synthesis Report' in July 2016. The report outlines voluntary options for enhancing the ability of the financial system to mobilise private capital for green investments. In particular, the report highlights the need for supporting the development of local green bond markets, facilitating cross-border investments in green bonds, facilitating knowledge sharing on environmental risks, and improving the measurement of green finance activities. To effectively manage environmental risks, banks can reduce lending to polluting sectors and enhance their preference for green lending and help improve the resilience of the financial system. Notwithstanding a growing interest in green finance, many banks have yet to fully incorporate environmental and social factors in their business models, governance frameworks and cultures.

The BSR data show that bank lending to renewable energy has been uneven. It grew at a rate higher than the overall credit growth during 2009 to 2014, leading to an increase in its share in overall credit (Chart 1). However, the share remains low, with a bulk of it being accounted for by nationalised banks (Table 1). In line with the empirical literature available in the Indian context (Rajput 2013), the relationship between

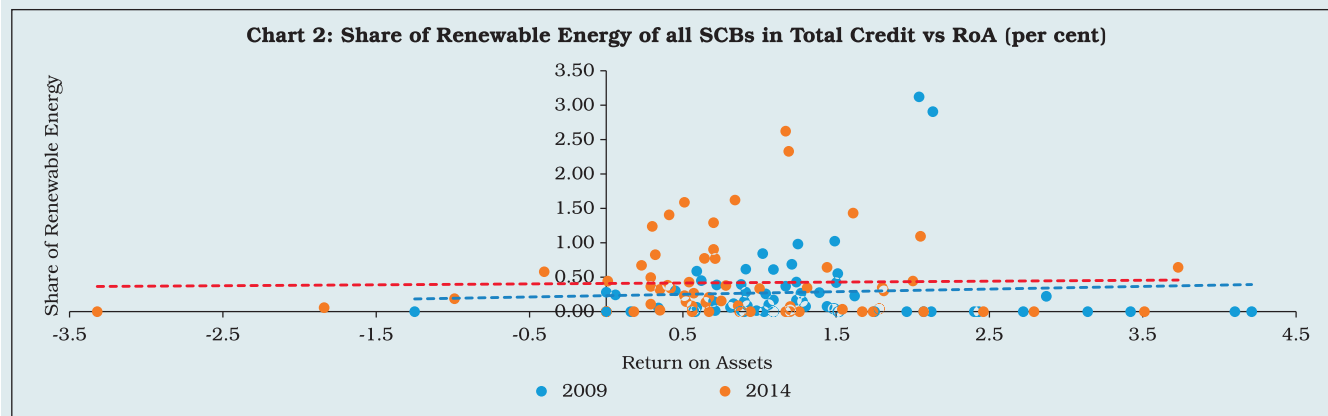


renewable energy credit and return on assets (RoA) for India seems inconclusive (Chart 2). Adoption of green policies by banks during 2007-09 and inclusion of renewable energy in the priority sector lending in 2012 have been instrumental

**Table 1: Share of Bank Groups in Renewable Energy Lending (per cent)**

	2009	2011	2013	2014
1	2	3	4	5
Foreign Banks	8.5	1.1	3.7	2.3
Nationalised Banks	54.1	72.7	62.7	70.4
Private Sector Banks	9.9	7.9	15.9	15.3
SBI and its associates	27.4	18.4	17.7	11.9

(Contd....)



in giving a push to green bank lending. The priority sector reporting system was revised in June 2015 to enable reporting on credit under this sector as a separate head. This shows an average growth of about 21.8 per cent in bank credit to renewable energy during 2015-16, though its share in overall credit remains miniscule.

In 2015, SEBI brought out a concept paper for issuance of green bonds. After considering the feedback received, it is in the process of finalising the guidelines for issuing such bonds. India has already entered the green bond market with bonds issued by a handful of pioneer issuers. The guidelines for such bonds are expected to facilitate investment decisions by investors who have a mandate to focus on green investments, and to provide uniformity in disclosure standards.

In the Indian context, while the Government and the regulators have been addressing the impact of climate change, there are broader issues that may need careful consideration. They include definition of green activities, areas of green financing, aspects of intellectual property rights (IPRs) in development and transfer of green technology from developed countries, and modalities for environmental risk assessment by banks.

#### References:

*Rajput, N, S. Arora, A. Khanna* (2013), "An Empirical Study of Impact of Environmental Performance on Financial Performance in Indian Banking Sector", *International Journal of Business and Management Invention*, Volume 2 Issue 9, September.

## GOVERNMENT AND BANK ACCOUNTS

X.76 The Department of Government and Bank Accounts (DGBA) formulates internal accounting policies and policies pertaining to conduct of government business by agency banks. It oversees activities undertaken by the Regional Offices as a banker to banks and central and state governments. In the area of accounts and their presentation, the Reserve Bank has been constantly moving towards greater transparency through improved presentation of its financial statements and disclosures. In the area of 'banker to banks' and 'banker to government', the Reserve Bank has been leveraging IT solutions to provide better and more efficient services.

## Agenda for 2015-16: Implementation Status

X.77 Based on the recommendations of the Technical Committee formed to review the presentation of the balance sheet and profit and loss account of the Reserve Bank, rupee securities are being carried at fair value and appreciation or depreciation on re-valuation is being transferred to 'Investment Revaluation Account-Rupee Securities' with effect from July 2015. In addition, rupee securities are being amortised on a daily basis from July 2015.

X.78 A Working Group constituted in February 2015 to review the system of inspecting government business in agency banks, submitted its report in December 2015. Recommendations

of the group relating to onsite inspections of agency banks have been implemented. The Reserve Bank is in the process of putting in place a system of offsite monitoring of government business. A Working Group on Business Process Reengineering (BPR) of government business, which was set up in March 2015, comprising of members from the Reserve Bank, various government agencies and a few select agency banks, is expected to submit its report shortly.

#### **Agenda for 2016-17**

X.79 Once the Working Group on BPR submits its report, it will be examined for implementation. Efforts will be directed at further integrating electronic receipts and payments of more state and central government systems with the Reserve Bank's CBS (e-Kuber) for better efficiency and customer service. Other items on the agenda for implementation include standardising the process of imposing penalties on agency banks and rationalisation of agency commission rates.

X.80 DGBA was involved in finalising the recommendations of the technical group that examined the banking arrangements for implementing GST. The Reserve Bank will be actively involved in the process of implementation as an aggregator with the transactions being integrated with the Reserve Bank's CBS.

#### **MANAGING FOREIGN EXCHANGE RESERVES**

X.81 The Department of External Investments and Operations (DEIO) manages the country's foreign exchange reserves. The increasing volume of foreign exchange reserves warrants strengthening the reserves management structure in terms of valuation methods, risk management practices, accounting framework and IT infrastructure including disaster management.

#### **Agenda for 2015-16: Implementation Status**

X.82 Diversification of India's foreign currency assets (FCA) continued during 2015-16 by way

of investments in new markets and asset classes within the framework of safety, liquidity and returns. A hotstandby set-up was operationalised at a different location to mitigate the impact of disaster induced disruptions. The computation of value at risk (VaR) was extended to all the FCA and gold. Credit stress testing of FCA also commenced during the year.

#### **Agenda for 2016-17**

X.83 Further diversification of FCA, active management of the gold portfolio, strengthening of the risk management framework relating to portfolio management and IT systems and a further build-up of staff capacities are on the agenda for 2016-17.

#### **ECONOMIC AND POLICY RESEARCH**

X.84 Research activity has significant importance for policymaking in central banks. In the Reserve Bank, the Department of Economic and Policy Research (DEPR) is entrusted with the task of providing research inputs and management information system (MIS) services on economic and policy related issues. The department is envisaged to establish itself as a premier knowledge centre in policy-oriented research on macroeconomic and monetary policy issues. DEPR contributes in several ways including regular publication of reports, data dissemination and policy oriented research.

#### **Agenda for 2015-16: Implementation Status**

##### *Publications*

X.85 As in the past, the department brought out the flagship publications of the Reserve Bank during 2015-16 – the Annual Report, Study on State Finances and the Reserve Bank of India Monthly Bulletin. Three outreach seminars were held in coordination with the Department of Communication at various centres, mostly universities, during the year to disseminate the main messages of the Reserve Bank's Annual

Report 2014-15 among students and researchers. This exercise was well received. The department also compiled and disseminated primary statistics on monetary aggregates, balance of payments, external debt, household financial savings and flow of funds during the year. The department unveiled the Handbook of Statistics on Indian States, the first of its kind, providing state-wise statistical tables on a wide range of variables including social and demographic indicators, state domestic product, agriculture, industry, infrastructure, banking and fiscal indicators.

#### *Research*

X.86 During 2015-16, 32 research papers were completed, of which 10 were published in domestic and foreign journals. Eleven working papers were brought out during the year. The research papers covered multiple areas of interest: monetary policy transmission and challenges, effectiveness of forex interventions, global spillovers, SME financing, issues relating to private placements and financing of NBFCs. Several initiatives were undertaken in collaboration with external experts to promote research. One DRG study and a DRG project were completed during 2015-16.

#### *Other Activities*

X.87 The department organised various events during the year including a seminar on 'Understanding inflation in India' by Professor Laurence M. Ball, a talk by Professor V.V. Chari on 'Lessons from economic theory for monetary policy in India' and a talk by Mr José Viñals, Financial Counsellor, IMF on 'Global financial stability - where do we stand?'. DEPR in collaboration with the Centre for Advanced Financial Research and Learning (CAFRAL) organised an international conference titled, 'Monetary policy challenges in open emerging economies' in which international and national researchers participated. The Annual Research Conference of the department was organised in Goa in June 2016. It included special

sessions by eminent economists and external experts. The DEPR Study Circle, an in-house forum of researchers organised 12 presentations on diverse themes by internal researchers. Six seminars were also organised under the same banner with presentations by external experts. A professor of repute from abroad visited the department for two weeks and guided research and forecasting exercises undertaken by the DEPR and the Monetary Policy Department (MPD).

#### **Agenda for 2016-17**

X.88 Going forward, the research areas envisaged to be covered during 2016-17 include the equilibrium exchange rate, exchange rate pass-through to domestic inflation, credit and production linkages in agriculture, availability of clean notes, the impact of MGNREGA and credit potential in special category states. The department proposes to organise a number of seminars/lectures during 2016-17 and a Southeast Asian Central Banks (SEACEN) course on 'financial cycles and crises' in December 2016. The drafting of Volume V of the 'History of the Reserve Bank' covering the period from 1997 to 2008 is underway in the History Cell of the department. The department has formed a group on Food Inflation Research and Measurement (FIRM) in coordination with MPD and the Department of Statistics and Information Management (DSIM), which will bring out a comprehensive report decoding food inflation in India.

#### **STATISTICS AND INFORMATION MANAGEMENT**

X.89 The Department of Statistics and Information Management (DSIM) disseminates macro-financial statistics to the public and provides statistical support and analytical inputs for meeting the policy and operational needs of the Reserve Bank. DSIM maintains comprehensive statistical systems related to banks, corporate and external sectors; undertakes structured surveys, manages



the Reserve Bank's data warehouse and provides statistical analyses and forecasts.

### **Agenda for 2015-16: Implementation Status**

#### *Data Management, Dissemination and Publications*

X.90 During 2015-16, DSIM released statistics related to banks, corporate and external sector as per schedule and with reduced time-lags wherever possible. Banks started submitting International Banking Statistics (IBS) data in the revised reporting system for implementation of Stage-2 enhancements as per the recommendations of the Committee on the Global Financial System (CGFS). The department has developed a methodology for compiling the Index of Service Production for the Banking (ISPB) sector in India, which will be finalised in consultation with the Government. Classification of bank branches in various population groups is being updated based on the 2011 population Census. The scope of banking data dissemination has been expanded by releasing new statistics on types of deposits at a quarterly frequency and the number of branches opened during a quarter/year. Further, the department is actively involved in the validation of market risk models, in addition to developing a rating model for banks.

X.91 During the year, the performance of the corporate sector was analysed, using a much larger dataset of the Ministry of Corporate Affairs (MCA). Further, gross value added of the private corporate sector was compiled in line with the revised National Accounts Statistics. The quarterly international investment position was disseminated as per the SDDS time schedule coupled with a reduced time-lag for all the surveys on the external sector.

X.92 A secure web-portal based reporting framework was implemented under the Foreign

Exchange Transactions Electronic Reporting System (FETERS) forming the core of the balance of payments (BoP) compilation. The Central Fraud Registry Portal has been developed based on XBRL system in consultation with the Department of Banking Supervision (DBS) as a centralised database displaying information on frauds involving an amount of ₹0.1 million and above, reported by banks/FIs with search facility, user management and audit trail.

X.93 Phase-II of the XBRL based reporting system was completed during 2015-16 and 97 returns were brought under XBRL. Phase-III of the XBRL project has been initiated with 95 returns covering different areas. During the year, XBRL International, the global custodian of XBRL standards, presented the 'XBRL International Award for Excellence' to the Reserve Bank in recognition of its efforts in 'Innovation and Continuous Pursuit of Improvement in Regulatory Reporting'. An inter-departmental Return Governance Group (RGG) has been formed to vet the process of introducing new returns/modifications to existing returns in the Reserve Bank.

X.94 The department developed the SAARCFINANCE database (SFDB). The dedicated SFDB website was opened to the public during the SAARCFINANCE Governors' Symposium in May 2016.

X.95 Under the integrated database and the National Factsheet of the Indian Economy, an automated interface mechanism has been developed to meet the regular requirements of the Ministry of Communications and Information Technology.

#### *Surveys and Research*

X.96 During the year, issues relating to statistical surveys required for monetary policy were referred to the Technical Advisory Committee

on Surveys (TACS), which functions under the chairmanship of the Deputy Governor in charge of the department, drawing members from reputed institutions in the field. Research collaboration with the Indian Statistical Institute, Kolkata to improve technical aspects of various surveys undertaken has been extended for one more year. Several research studies were contributed to the Reserve Bank's Working Paper Series/other publications/academic conferences.

#### **Agenda for 2016-17**

X.97 The department will continue pursuing work related to the harmonisation of data with the aim of providing definitions of all major items which can then be used by banks to report data. Further, under the aegis of the RGG, banks will be persuaded to streamline their automated data flow (ADF) systems. The process of taking 95 returns under the XBRL Phase-III will be taken forward. During the year, the department will also augment the SAARCFINANCE database coverage in consultation with partner countries. The existing system of collecting and storing information on banking entities will be upgraded in order to enhance the scope and efficiency of the system. The department will also consider rationalisation of certain banking returns in order to reduce the reporting burden on banks.

X.98 Corporate finance studies in areas of risk and vulnerability, capital structure and investment behaviour will also be taken up during 2016-17. In addition, short-term forecasting of corporate sales and profitability using nowcasting techniques will be attempted. The department will also take up rationalisation of existing surveys under the guidance of the TACS.

#### **LEGAL ISSUES**

X.99 The Legal Department is an advisory department established for examining and

advising on legal issues and for facilitating the management of litigation on behalf of the Reserve Bank. It vets the circulars, directions, regulations and agreements for various departments of the Reserve Bank with a view to ensuring that the decisions of the Reserve Bank are legally sound. Legal Department is also extending its support and advice to DICGC and other RBI owned institutions on legal issues, litigation and court matters.

#### **Agenda for 2015-16: Implementation Status**

X.100 The provisions of the Negotiable Instruments Act, 1881 were amended in December 2015. Accordingly, a complaint for bouncing of cheques can only be filed before the court having jurisdiction over (i) the place where the payee delivers the cheque for payment through his account *viz.* the bank branch of the payee or (ii) the place where he presents the cheque for payment *viz.* the branch of the drawee bank, is situated.

X.101 The Supreme Court *vide* its judgment dated July 01, 2015 passed in the case of DICGC vs Raghupati Raghavan & Others settled the question of law on the priority of DICGC's claims in cases of liquidation of insured banks.

X.102 The Reserve Bank filed petitions against certain orders of the Central Information Commission under the Right to Information Act, 2005 directing it to provide copies of inspection reports and related information. The Supreme Court declined to interfere with the orders passed by the Commission.

#### **Agenda for 2016-17**

X.103 In 2016-17, the department will continue to advise various departments on legal matters and furnish specific legal opinions whenever sought. It will also continue its efforts at managing litigation on behalf of the Reserve Bank and function as a secretariat to the Appellate Authority under the Right to Information Act. Amendments to

various Acts administered by the Reserve Bank will be pursued during the year in order to meet international commitments and standards and for clarifying relevant provisions.

### **CORPORATE STRATEGY AND BUDGET MANAGEMENT**

X.104 The Corporate Strategy and Budget Department (CSBD) formulates the budget of the Reserve Bank by allocating resources optimally towards strategic priorities of the Bank.

#### **Agenda for 2015-16: Implementation Status**

X.105 The department prepared a medium-term strategy and action plan framework for the Reserve Bank during the year. Granular action plans of all the Central Office departments (CODs) were aggregated into broad strategies and linked to the Reserve Bank's core purpose, values and vision statement. The department apprises the top management on a quarterly basis on the status of implementation of the agendas that different departments of the Reserve Bank have set for themselves. Their plans for the following quarters in terms of clear timelines, milestones, impediments and corrective measures were taken on board with the intention of plugging the gap between the goals envisaged and their achievement.

X.106 The department also prepared a draft Business Continuity Management (BCM) policy. A BCM diagnostic was conducted to review the status of BCM in the Reserve Bank and to identify existing gaps. This was followed by appointing a consultant to help implement a robust integrated BCM across the entire Reserve Bank. A business impact analysis (BIA) is being carried out at all CODs and select Regional Offices (ROs)/training establishments (TEs) to identify time-sensitive critical business processes in a scientific manner.

X.107 The Reserve Bank's budget was formulated by the department based on action plans finalised

by each unit (RO/COD/TE) and its utilisation was monitored on a quarterly basis.

X.108 The department is also responsible for the management of various superannuation funds and provision of budgetary support to training/research institutions such as NIBM, IGIDR, CAFRAL and IIBM.

X.109 Tier III offices at Aizawl and Imphal were opened on October 15 and 17, 2015 respectively. In this regard, the department has prepared a list containing aspects and issues to be kept in mind for newly opened offices, facilitating the functioning of such offices and the personnel posted there.

#### **Agenda for 2016-17**

X.110 The department's agenda for the coming year includes implementing BCM in an integrated manner throughout the Reserve Bank by framing a robust BCM policy, issuing guidelines, conducting a business impact analysis (BIA), putting in place a crisis management framework, creating awareness amongst all stakeholders and reviewing the business continuity plans (BCP) of each unit. Monitoring the implementation of the strategic plan of the Reserve Bank is an important on-going agenda. The department will further fine-tune the process of budget formulation and its review so as to rationalise expenditure. The department also plans to establish state government (SG) cells, DNBS/DCBS cells and/or other departments in select Tier III offices based on emerging requirements.

### **CORPORATE SERVICES**

X.111 The Department of Corporate Services (DCS) was established as part of the institutional re-organisation undertaken in November 2014 with the objective of coordinating and facilitating delivery of internal corporate services catering to the needs of the various departments of the Reserve Bank.

### Agenda for 2015-16: Implementation Status

X.112 The department focused on providing efficient corporate support services by way of management/providing services related to events/meetings/hospitality/protocol services to the top management and promoted receipt of payments for sales of the Reserve Bank's publications through e-mode. The department also delineated guidelines for award of rate contracts and event management. The department made arrangements for centralised procurement of stationery, printing of Reserve Bank publications at a centralised place, empanelling printers and providing centralised courier services.

### Agenda for 2016-17

X.113 During 2016-17, the department envisages to initiate actions on policy formulations for records

management and workflow processes. Awareness programmes on the Electronic Documents Management System (EDMS) will be conducted with enhanced focus and coverage (Box X.4). Handbooks/manuals on functions related to procurements/rate contracts and protocol and event management will be prepared. An impact analysis will be carried out to assess the benefits of the common/centralised rate contracts of various stationery items.

### RAJBHASHA

X.114 During 2015-16, the Reserve Bank continued its efforts to ensure compliance with the statutory provisions of the Official Language Act with a view to promoting use of Hindi in its working. The Rajbhasha Department of the Reserve Bank is entrusted with this responsibility.

#### Box X.4

#### Electronic Documents Management System (EDMS)-Darpan

The Reserve Bank has initiated a project to implement the Electronic Document Management System (EDMS). Using a collection of technologies, this system will enable users in the Reserve Bank to initiate and manage documents and records throughout the document's life-cycle, from its creation to disposition.

The objectives of the project are creating a platform for initiating workflows; automating the Reserve Bank's business processes; establishing a channel for collaboration and communication; building a centralised repository of records for the organisation; and aiding the Reserve Bank in its pursuit of becoming a knowledge organisation by enabling sharing of documents. One of the major benefits of EDMS is that it will provide an integrated content repository for most of the records with intelligent library services enabling users to sieve through millions of documents to get to the right content at the right time. For an organisation spread over multiple locations, the workflow management module of this system will allow instant access to documents that normally requires time to be transferred from one location to the other either *via* mail, fax or post. Unlike paper-based processes, the status of a document within an electronic workflow can be easily queried and determined giving pan-

organisational control over documents. This will provide opportunities for reviewing the workflow processes and facilitate business process improvements. Substantial time spent on retrieving a paper file, performing an action with it and then re-archiving the file and expenditure on paper, ink, file folders, filing cabinets, filing staff and other requirements can be saved, thus reducing substantial time and costs for the Reserve Bank. Also, with efficient scanning and indexing capabilities, EDMS will almost guarantee that files will be current and up-to-date and will have document and record version control. The security in EDMS will be much more flexible than that associated with paper-based environments. It will provide access to groups and individuals based on the access control policy of the Reserve Bank and maintain audit trails that will show who accessed and updated documents. The electronic repository can be replicated at several locations and complete recovery from a major disaster such as a fire, can be a matter of days with proper disaster recovery infrastructure and procedures in place. Logging records of the system can be used for auditing purposes. Further, the system can be configured and business practices adjusted to ensure regulatory compliances regarding storage, access and retention of documents.

### **Agenda for 2015-16: Implementation Status**

X.115 The Reserve Bank celebrated 2015-16 as the Rajbhasha Golden Jubilee Year. In order to sensitise regional directors and heads of Central Office departments on the requirements of the Official Language Policy, a workshop was conducted at Lonavala on July 10, 2015. Subsequently, four zonal seminars on different aspects of the Rajbhasha policy were organised at Hyderabad, Patna, Nagpur and Jammu. Four programmes, viz., Hindi Diwas, Anuwad Diwas, Vishwa Hindi Diwas and Matribhasha Diwas were organised in the offices/departments of the Reserve Bank; these were followed by an all-India seminar in Lucknow in February 2016. The closing ceremony of the Rajbhasha Golden Jubilee Year was organised on May 24, 2016 in which, in addition to a souvenir, eight other publications were released. Besides statutory publications, other publications were also brought out in bi-lingual form during the year.

#### *Visit of Parliamentary Committee*

X.116 The Committee of Parliament on Official Language visited the Reserve Bank's offices in Delhi, Kolkata and Ahmedabad and reviewed the status of implementation of the Rajbhasha policy. The Drafting and Evidence Sub-Committee of the Committee visited the Bhubaneswar, Bengaluru and Kolkata offices. The sub-committee has suggested various corrective actions for promoting the use of Hindi in the Reserve Bank.

### **Agenda for 2016-17**

X.117 An annual work plan for 2016-17 has been prepared keeping in view the requirements of the annual programme published by the Government and the concerns expressed by the Committee of Parliament on Official Language. In addition to a one-day programme on the official language for

senior officers, conducting a seminar on use of technology for progressive use of Rajbhasha is the agenda for 2016-17.

### **PREMISES DEPARTMENT**

X.118 The remit of the Premises Department covers creating, maintaining and upgrading the Reserve Bank's physical infrastructure. In 2015-16, significant progress was made in this direction. Land for office building in Imphal was acquired. Construction of hostel buildings for RBSC, Chennai and IGIDR, Mumbai, as also senior officers' flats along with four executive visiting officers' flats (VOFs) and an amenities block at Ameerpet, Hyderabad was completed during the year. Construction of officers' flats at Anna Nagar, Chennai and Dadar-Parel in Mumbai is in advanced stages of completion. Construction of infrastructural facilities for CAFRAL in Mumbai is set to commence shortly. Efforts were also made to consolidate and optimally utilise office space in Mumbai with the vacation of Garment House, leading to huge cost efficiency and substantial annual savings.

X.119 For upgrading the security infrastructure, an internet protocol based CCTV (IPCCTV) system was operationalised in 19 offices during 2015-16. Installation of an Integrated Security System for the Central Office Building of the Reserve Bank has commenced for ensuring greater and integrated security.

X.120 The Reserve Bank has taken steps to harness solar energy through grid interactive solar installations with a cumulative capacity of 336 Kilowatt peak (kWp) in various premises. Installation of energy efficient and eco-friendly AC plants was completed in all the offices. Organic waste converters were installed in residential colonies at eight locations. Rain water harvesting has been put in place in many office and residential premises.

**Agenda for 2016-17**

X.121 Construction of office buildings at Naya Raipur and Dehradun will commence during 2016-17. Land acquisition formalities for office buildings are presently underway at Shillong, Agartala and Ranchi. Construction of residential colonies in Jammu and Dehradun is in advanced stages of planning. Residential colonies in Delhi (Hauz Khas), Mumbai (Chembur, Andheri and Malad), Jaipur (Malviya Nagar), Chandigarh and Ahmedabad (Vasna) are also being planned. Steps are also being initiated for constructing a holiday home in Lonavala.

X.122 As part of its green initiatives, a cumulative target of 800 kWp grid interactive solar power is set for 2016-17. Concrete steps for water and electricity conservation across all the premises of the Reserve Bank are also envisaged to be taken up.

X.123 With a view to further enhancing transparency in procurement, e-tendering is being implemented for procurement beyond the threshold limit of ₹1 million and sale of goods/scrap, etc. beyond ₹0.5 million. All offices have been advised to pay attention to the upkeep and maintenance of their premises.

**Table 1: Attendance in the Meeting of the Central Board of Directors during  
July 01, 2015-June 30, 2016**

Name of the Member	Appointed/Nominated under RBI Act, 1934	No. of Meetings Held	No. of Meetings Attended
1	2	3	4
Raghuram G. Rajan	8 (1) (a)	6	6
Harun R. Khan	8 (1) (a)	6	6
Urjit R. Patel	8 (1) (a)	6	6
R. Gandhi	8 (1) (a)	6	6
S. S. Mundra	8 (1) (a)	6	6
Nachiket M. Mor	8 (1) (b)	6	6
Y. C. Deveshwar	8 (1) (c)	6	4
Damodar Acharya	8 (1) (c)	6	5
Natarajan Chandrasekaran	8 (1) (c)	2	2
Bharat N. Doshi	8 (1) (c)	2	2
Sudhir Mankad	8 (1) (c)	2	1
Anil Kakodkar	8 (1) (c)	2	2
Kiran S. Karnik	8 (1) (c)	2	2
Y. H. Malegam	8 (1) (c)	2	2
Dipankar Gupta	8 (1) (c)	2	1
G. M. Rao	8 (1) (c)	2	1
Ela Bhatt	8 (1) (c)	2	1
Indira Rajaraman	8 (1) (c)	2	2
Hasmukh Adhia	8 (1) (d)	2	1
Ajay Tyagi	8 (1) (d)	3	3
Anjuly Chib Duggal	8 (1) (d)	4	1
Shaktikanta Das	8 (1) (d)	3	2

**Table 2: Committees of the Central Board**

Name of the Member	Appointed/Nominated under RBI Act, 1934	No. of Meetings Held	No. of Meetings Attended
<b>I. Committee of the Central Board (CCB)</b>			
Raghuram G. Rajan	8 (1) (a)	47	31
Harun R. Khan	8 (1) (a)	47	35
Urjit R. Patel	8 (1) (a)	47	20
R. Gandhi	8 (1) (a)	47	29
S. S. Mundra	8 (1) (a)	47	20
Anil Kakodkar	8 (1) (b)	10	02
Kiran S. Karnik	8 (1) (b)	06	06
Nachiket M. Mor	8 (1) (b)	38	27
Y. H. Malegam	8 (1) (c)	11	11
Dipankar Gupta	8 (1) (c)	05	04
G. M. Rao	8 (1) (c)	04	04
Ela Bhatt	8 (1) (c)	03	02
Indira Rajaraman	8 (1) (c)	04	04
Y. C. Deveshwar	8 (1) (c)	38	00
Damodar Acharya	8 (1) (c)	39	36
N. Chandrasekaran	8 (1) (c)	04	03
Bharat N. Doshi	8 (1) (c)	07	06
Sudhir Mankad	8 (1) (c)	06	03
<b>II. Board for Financial Supervision (BFS)</b>			
Raghuram G. Rajan	Chairman	10	9
Harun R. Khan	Member	10	8
Urjit R. Patel	Member	10	8
R. Gandhi	Member	10	8
S. S. Mundra	Vice-Chairman	10	9
Nachiket M. Mor	Member	10	10
Y. H. Malegam	Member	3	3
Ela Bhatt	Member	2	1
Bharat N. Doshi	Member	3	3
Sudhir Mankad	Member	3	1
<b>III. Board for Regulation and Supervision of Payment and Settlement Systems (BPSS)</b>			
Raghuram G. Rajan	Chairman	4	4
Harun R. Khan	Vice-Chairman	4	3
Urjit R. Patel	Member	4	3
R. Gandhi	Member	4	2
S. S. Mundra	Member	4	4
Anil Kakodkar	Member	1	1
Kiran S. Karnik	Member	1	1
Damodar Acharya	Member	3	3
N. Chandrasekaran	Member	1	0
Bharat N. Doshi	Member	1	1



**Table 3: Sub-Committees of the Board**

Name of the Member	Appointed/Nominated under RBI Act, 1934	No. of Meetings Held	No. of Meetings Attended
<b>I. Audit &amp; Risk Management Sub-Committee (ARMS)</b>			
Y. H. Malegam#	Chairman	2	2
Dipankar Gupta	Member	2	2
Indira Rajaraman	Member	2	2
Y. C. Deveshwar	Member	2	0
Harun R. Khan	Invitee	5	4
Urjit R. Patel	Invitee	5	2
R. Gandhi	Member	5	5
S. S. Mundra	Invitee	5	2
Nachiket M. Mor	Member	3	2
Bharat N. Doshi	Chairman	3	3
Sudhir Mankad	Member	3	1
#: Up to October 6, 2015			
<b>II. Building Sub-Committee (BSC)</b>			
G. M. Rao@	Chairman	1	1
Sudhir Mankad	Chairman	1	1
Y. C. Deveshwar	Member	1	0
Anil Kakodkar	Member	1	0
Harun R. Khan	Member	2	2
@: Up to September 22, 2015			
<b>III. Human Resource Management Sub-Committee (HRM-SC)</b>			
Damodar Acharya	Chairman	4	4
Kiran S. Karnik	Member	2	2
S. S. Mundra	Member	4	4
<b>IV. Information Technology Sub-Committee (IT-SC)</b>			
Kiran S. Karnik	Chairman	1	1
Damodar Acharya	Member	1	1
Harun R. Khan	Member	1	1

# XI

## THE RESERVE BANK'S ACCOUNTS FOR 2015-16

*The balance sheet size of the Reserve Bank increased by 12.25 per cent for the year ended June 30, 2016. While income for the year 2015-16 increased marginally by 2.04 per cent, the expenditure increased by 12.23 per cent primarily due to provision made for reimbursing service tax on agency commission paid to agency banks. The year ended with an overall surplus of ₹658.76 billion as against ₹658.96 billion in the previous year, representing a marginal decline of 0.03 per cent.*

XI.1 The balance sheet of the Reserve Bank is largely a reflection of the activities carried out in pursuance of its currency issue function as well as monetary policy and reserve management objectives. The key financial results of the Reserve Bank's operations during the year 2015-16 (July-June) are set out in the following paragraphs (Table XI.1).

XI.2 The year 2015-16 witnessed an overall increase in the size of the balance sheet by ₹3,538.52 billion, i.e., 12.25 per cent from ₹28,891.59 billion as on June 30, 2015 to ₹32,430.11 billion as on June 30, 2016. The increase on the asset side was due to increase

in foreign investments and domestic investments by 7.98 per cent and 35.64 per cent, respectively, and on the liability side due to increase in notes in circulation and other liabilities and provisions by 15.92 per cent and 14.77 per cent, respectively. As on June 30, 2016 domestic assets constituted 24.59 per cent while the foreign currency assets and gold (including gold held in India) constituted 75.41 per cent of total assets as against 21.86 per cent and 78.14 per cent, respectively, as on June 30, 2015.

XI.3 No transfers were made to Contingency Fund (CF). A provision of ₹10 billion was made for additional capital contribution in Bharatiya

**Table XI.1: Trends in Income, Expenditure and Net Disposable Income**

(₹ billion)

Item	2011-12	2012-13	2013-14	2014-15	2015-16
1	2	3	4	5	6
a) Income	531.76	743.58	646.17	792.56	808.70
b) Transfers to CF and ADF (i+ii)	270.25	287.94	0.00	0.00	0.00
(i) Contingency Fund (CF)	246.77	262.47	0.00	0.00	0.00
(ii) Asset Development Fund (ADF)*	23.48	25.47	0.00	0.00	0.00
c) Net Income (a-b)	261.51	455.63	646.17	792.56	808.70
d) Total Expenditure <sup>@</sup>	101.37	125.49	119.34	133.56	149.90
e) Net Disposable Income (c-d)	160.14	330.14	526.83	659.00	658.80
f) Transfer to funds*	0.04	0.04	0.04	0.04	0.04
g) Surplus transferred to the Government (e-f)	160.10	330.10	526.79	658.96	658.76
Transfer of Surplus to Government as per cent of Gross Income less Total Expenditure	37.20	53.40	99.99	99.99	99.99

# : Since June 30, 2015, transfers to CF and ADF are not reduced from income. Instead provisions are made, if considered necessary, and then transferred to CF/ADF.

@ : Includes a provision of ₹10 billion each towards additional capital contribution in NHB in 2014-15 and in BRBNMPL in 2015-16.

\* : An amount of ₹10 million each has been transferred to the National Industrial Credit (Long Term Operations) Fund, the National Rural Credit (Long Term Operations) Fund, the National Rural Credit (Stabilisation) Fund and the National Housing Credit (Long Term Operations) Fund during each of the five years.

Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL) and transferred to Asset Development Fund (ADF) and the entire surplus of ₹658.76 billion was transferred to the central government.

XI.4 The Technical Committee [Chairman: Shri Y.H. Malegam (Technical Committee II)] constituted during 2013-14 to review the level and adequacy of internal reserves and surplus distribution policy of the Reserve Bank, had recommended, *inter alia*, that domestic securities

should be carried at fair value. Accordingly, domestic securities, with certain exceptions, are being carried at fair value with effect from July 31, 2015 and are also subjected to daily amortisation.

XI.5 The Balance Sheet and the Income Statement prepared for 2015-16 along with the schedules, statement of significant accounting policies and supporting notes to the accounts are furnished below:

**RESERVE BANK OF INDIA  
BALANCE SHEET AS ON JUNE 30, 2016**

(Amount in ₹ billion)

Liabilities	Schedule	2014-15	2015-16	Assets	Schedule	2014-15	2015-16
Capital		0.05	0.05	<b>Assets of Banking Department (BD)</b>			
Reserve Fund		65.00	65.00	Notes, rupee coin, small coin	5	0.11	0.14
Other Reserves	1	2.22	2.24	Gold Coin and Bullion	6	578.84	662.23
Deposits	2	5,186.86	5,065.28	Investments-Foreign-BD	7	7,276.29	6,727.84
Other Liabilities and Provisions	3	8,905.03	10,220.38	Investments-Domestic-BD	8	5,174.97	7,022.85
				Bills Purchased and Discounted		0.00	0.00
				Loans and Advances	9	802.32	520.41
				Investment in subsidiaries	10	13.20	23.20
				Other Assets	11	313.43	396.28
<b>Liabilities of Issue Department</b>				<b>Assets of Issue Department (ID)</b>			
Notes issued	4	14,732.43	17,077.16	Gold Coin and Bullion (as backing for Note issue)	6	637.23	729.07
				Rupee coin		1.99	1.71
				Investment-Foreign-ID	7	14,082.75	16,335.92
				Investment-Domestic-ID	8	10.46	10.46
				Domestic Bills of Exchange and other Commercial Papers		0.00	0.00
<b>Total Liabilities</b>		<b>28,891.59</b>	<b>32,430.11</b>	<b>Total Assets</b>		<b>28,891.59</b>	<b>32,430.11</b>

**RESERVE BANK OF INDIA  
INCOME STATEMENT FOR THE YEAR ENDED JUNE 2016**

(Amount in ₹ billion)

INCOME	Schedule	2014-15	2015-16
Interest	12	744.82	749.24
Others	13	47.74	59.46
<b>Total</b>		<b>792.56</b>	<b>808.70</b>
EXPENDITURE			
Printing of Notes		37.62	34.21
Expense on Remittance of Currency		0.98	1.09
Agency Charges	14	30.45	47.56
Interest		0.01	0.01
Employee Cost		40.58	44.77
Postage and Telecommunication Charges		0.91	0.78
Printing and Stationery		0.34	0.33
Rent, Taxes, Insurance, Lighting, etc.		1.14	1.40
Repairs and Maintenance		1.04	1.01
Directors' and Local Board Members' Fees and Expenses		0.03	0.02
Auditors' Fees and Expenses		0.03	0.03
Law Charges		0.04	0.07
Miscellaneous Expenses		7.97	6.42
Depreciation		2.42	2.20
Provisions		10.00	10.00
<b>Total</b>		<b>133.56</b>	<b>149.90</b>
<b>Available Balance</b>		<b>659.00</b>	<b>658.80</b>
Less:			
a) Contribution to:			
i) National Industrial Credit (Long Term Operations) Fund		0.01	0.01
ii) National Housing Credit (Long Term Operations) Fund		0.01	0.01
b) Transferable to NABARD:			
i) National Rural Credit (Long Term Operations) Fund <sup>1</sup>		0.01	0.01
ii) National Rural Credit (Stabilisation) Fund <sup>1</sup>		0.01	0.01
<b>Surplus payable to the Central Government</b>		<b>658.96</b>	<b>658.76</b>

1. These funds are maintained by the National Bank for Agriculture and Rural Development (NABARD).

S. Ramaswamy  
Principal Chief General  
Manager

N. S. Vishwanathan  
Deputy Governor

S. S. Mundra  
Deputy Governor

R. Gandhi  
Deputy Governor

Urjit R. Patel  
Deputy Governor

Raghuram G. Rajan  
Governor

## SCHEDULES FORMING PART OF BALANCE SHEET AND INCOME STATEMENT

(Amount in ₹ billion)

		2014-15	2015-16
<b>Schedule 1:</b>	<b>Other Reserves</b>		
	(i) National Industrial Credit (Long Term Operations) Fund	0.24	0.25
	(ii) National Housing Credit (Long Term Operations) Fund	1.98	1.99
	<b>Total</b>	<b>2.22</b>	<b>2.24</b>
<b>Schedule 2:</b>	<b>Deposits</b>		
	<b>(a) Government</b>		
	(i) Central Government	1.01	1.00
	(ii) State Governments	0.43	0.42
	<b>Sub total</b>	<b>1.44</b>	<b>1.42</b>
	<b>(b) Banks</b>		
	(i) Scheduled Commercial Banks	3,711.94	4,031.02
	(ii) Scheduled State Co-operative Banks	32.22	33.85
	(iii) Other Scheduled Co-operative Banks	69.97	75.97
	(iv) Non-Scheduled State Co-operative Banks	10.71	13.20
	(v) Other Banks	122.01	140.00
	<b>Sub total</b>	<b>3,946.85</b>	<b>4,294.04</b>
	<b>(c) Others</b>		
	(i) Administrators of RBI Employee PF A/c	40.75	43.80
	(ii) Depositor Education and Awareness (DEA) Fund	78.75	105.85
	(iii) Balances of Foreign Central Banks	14.71	15.21
	(iv) Balances of Indian Financial Institutions	4.33	11.43
	(v) Balances of International Financial Institutions	1.45	3.20
	(vi) Mutual Fund	0.01	0.01
	(vii) Others	1,098.57	590.32
	<b>Sub total</b>	<b>1,238.57</b>	<b>769.82</b>
	<b>Total</b>	<b>5,186.86</b>	<b>5,065.28</b>
<b>Schedule 3:</b>	<b>Other Liabilities and Provisions</b>		
	(i) Contingency Fund (CF)	2,216.14	2,201.83
	(ii) Asset Development Fund (ADF)	217.61	227.61
	(iii) Currency and Gold Revaluation Account (CGRA)	5,591.93	6,374.78
	(iv) Investment Revaluation Account (IRA)-Foreign Securities	32.14	132.66
	(v) Investment Revaluation Account (IRA)-Rupee Securities	0.00	391.46
	(vi) Foreign Exchange Forward Contracts Valuation Account (FCVA)	0.00	0.00
	(vii) Provision for Forward Contracts Valuation Account (PFCVA)	0.39	14.69
	(viii) Provision for payables	16.81	32.33
	(ix) Gratuity and Superannuation Fund	140.05	157.66
	(x) Surplus Transferable to the Government of India	658.96	658.76
	(xi) Bills Payable	0.17	0.20
	(xii) Miscellaneous	30.83	28.40
	<b>Total</b>	<b>8,905.03</b>	<b>10,220.38</b>
<b>Schedule 4:</b>	<b>Notes Issued</b>		
	(i) Notes held in the Banking Department	0.11	0.14
	(ii) Notes in Circulation	14,732.32	17,077.02
	<b>Total</b>	<b>14,732.43</b>	<b>17,077.16</b>

THE RESERVE BANK'S ACCOUNTS FOR 2015-16

		2014-15	2015-16
<b>Schedule 5:</b>	<b>Notes, Rupee Coin, Small Coin (with RBI)</b>		
	(i) Notes	0.11	0.14
	(ii) Rupee coin	0.00	0.00
	(iii) Small coin	0.00	0.00
	<b>Total</b>	<b>0.11</b>	<b>0.14</b>
<b>Schedule 6:</b>	<b>Gold Coin and Bullion</b>		
	(i) Banking Department	578.84	662.23
	(ii) Issue Department as backing for Note issue	637.23	729.07
	<b>Total</b>	<b>1,216.07</b>	<b>1,391.30</b>
<b>Schedule 7:</b>	<b>Investments - Foreign</b>		
	(i) Investments - Foreign - BD	7,276.29	6,727.84
	(ii) Investments - Foreign - ID	14,082.75	16,335.92
	<b>Total</b>	<b>21,359.04</b>	<b>23,063.76</b>
<b>Schedule 8:</b>	<b>Investments-Domestic</b>		
	(i) Investments - Domestic -BD	5,174.97	7,022.85
	(ii) Investments - Domestic - ID	10.46	10.46
	<b>Total</b>	<b>5,185.43</b>	<b>7,033.31</b>
<b>Schedule 9:</b>	<b>Loans and Advances</b>		
	<b>(a) Loans and Advances to :</b>		
	(i) Central Government	0.00	0.00
	(ii) State Governments	25.77	19.86
	<b>Sub total</b>	<b>25.77</b>	<b>19.86</b>
	<b>(b) Loans and Advances to:</b>		
	(i) Scheduled Commercial Banks	732.03	450.92
	(ii) Scheduled State Co-operative Banks	0.00	0.00
	(iii) Other Scheduled Co-operative Banks	0.45	0.00
	(iv) Non-Scheduled State Co-operative Banks	0.00	0.00
	(v) NABARD	0.00	0.00
	(vi) Others	44.07	49.63
	<b>Sub total</b>	<b>776.55</b>	<b>500.55</b>
	<b>Total</b>	<b>802.32</b>	<b>520.41</b>
<b>Schedule 10:</b>	<b>Investment in Subsidiaries/Associates</b>		
	(i) Deposit Insurance and Credit Guarantee Corporation	0.50	0.50
	(ii) National Housing Bank	4.50	14.50
	(iii) National Bank for Agriculture and Rural Development	0.20	0.20
	(iv) Bhartiya Reserve Bank Note Mudran (P) Ltd.	8.00	8.00
	<b>Total</b>	<b>13.20</b>	<b>23.20</b>
<b>Schedule 11:</b>	<b>Other Assets</b>		
	(i) Fixed Assets (net of accumulated depreciation)	3.92	3.49
	(ii) Accrued income (a + b)	206.26	228.91
	a. on loans to employees	3.16	3.15
	b. on other items	203.10	225.76
	(iii) Swap Amortisation Account	94.33	154.97
	(iv) Revaluation of Forward Contracts Account (RFCA)	0.00	0.00
	(v) Miscellaneous	8.92	8.91
	<b>Total</b>	<b>313.43</b>	<b>396.28</b>

		2014-15	2015-16
<b>Schedule 12:</b>	<b>Interest</b>		
	<b>(a) Domestic Sources</b>		
	(i) Interest on holding of Domestic Securities	436.30	430.79
	(ii) Net Interest on LAF Operations	28.29	5.06
	(iii) Interest on MSF Operations	1.88	1.32
	(iv) Profit on Sale of Domestic Securities	139.15	21.68
	(v) Depreciation	-98.28	0.00
	(vi) Interest on Loans and Advances	14.06	3.98
	(vii) Premium /Discount on Amortisation of Domestic Securities	0.00	42.58
	<b>(b) Foreign Sources</b>		
	(i) Interest on holding of Foreign Securities	223.42	243.83
	<b>Total</b>	<b>744.82</b>	<b>749.24</b>
<b>Schedule 13:</b>	<b>Income-Others</b>		
	(i) Discount from Foreign Assets	4.40	4.94
	(ii) Exchange from Foreign Exchange Transactions	29.62	38.36
	(iii) Commission	13.38	15.31
	(iv) Rent Realised	0.05	0.05
	(v) Profit/loss on sale of Bank's property	0.02	0.02
	(vi) Provision no longer required and miscellaneous income	0.27	0.78
	<b>Total</b>	<b>47.74</b>	<b>59.46</b>
<b>Schedule 14:</b>	<b>Agency Charges</b>		
	(i) Agency Commission on Government Transactions	29.63	46.93
	(ii) Underwriting Commission paid to the Primary Dealers	0.33	0.35
	(iii) Sundries (Handling charges paid to banks for Relief/Savings Bonds subscriptions)	0.00	0.01
	(iv) Fees paid to the Custodians	0.49	0.27
	<b>Total</b>	<b>30.45</b>	<b>47.56</b>



## INDEPENDENT AUDITORS' REPORT

### TO THE PRESIDENT OF INDIA

#### *Report on the Financial Statements*

We, the undersigned Auditors of the Reserve Bank of India (hereinafter referred to as the "Bank"), do hereby report to the Central Government upon the Balance Sheet of the Bank as at June 30, 2016 and the Income Statement for the year ended on that date (hereinafter referred to as "financial statements"), which have been audited by us.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of these financial statements that give a true and correct view of the state of affairs and results of operations of the Bank in accordance with the requirements of the provisions of the Reserve Bank of India Act, 1934 and Regulations framed thereunder and the accounting policies and practices followed by the Bank. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and correct view and are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and correct presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion and to the best of our information and according to explanations given to us and as shown by the books of account of the Bank, the Balance Sheet read with Significant Accounting Policies is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up in accordance with the requirements of the provisions of the RBI Act, 1934 and Regulations framed there under so as to exhibit true and correct view of the state of affairs of the Bank.

#### *Other Matters*

We report that we have called for information and explanation from the Bank which was necessary for the purpose of our audit and such information and explanation have been given to our satisfaction.

We also report that the financial statements include the accounts of eighteen accounting units of the Bank which have been audited by Statutory Branch Auditors and we have relied on their report in this regard.

For CNK & Associates, LLP  
Chartered Accountants  
(ICAI Firm Registration No. 101961W)

Manish Sampat  
Partner  
Membership No. 101684

For Borkar and Muzumdar  
Chartered Accountants  
(ICAI Firm Registration No. 101569W)

Brijmohan Agarwal  
Partner  
Membership No. 33254

Place: Mumbai

Date: August 11, 2016

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED JUNE 30, 2016

### (a) General

1.1 The Reserve Bank of India was established under the RBI Act, 1934 (the Act) “to regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage”.

1.2 The main functions of the Bank are:-

- a) Issue of Bank notes.
- b) Management of the monetary system.
- c) Regulation and supervision of banks and Non-Banking Financial Companies (NBFCs).
- d) Acting as the lender of last resort.
- e) Regulation and supervision of the Payment and Settlement Systems.
- f) Maintaining and managing the country’s foreign exchange reserves.
- g) Acting as the banker to banks and the Governments.
- h) Acting as the debt manager of the Governments.
- i) Regulation and development of foreign exchange market.
- j) Developmental functions including in the areas of rural credit and financial inclusion.

1.3 The Act requires that the issue of Bank notes should be conducted by the Bank in an Issue Department which shall be separate and kept wholly distinct from the Banking Department and the assets of the Issue Department shall not be subject to any liability other than the liabilities of

the Issue Department. The Act requires that the assets of the Issue Department shall consist of gold coins, gold bullion, foreign securities, rupee coins and rupee securities to such aggregate amount as is not less than the total of the liabilities of the Issue Department. The Act requires that the liabilities of the Issue Department shall be an amount equal to the total of the amount of the currency notes of the Government of India and Bank notes for the time being in circulation.

### (b) Significant Accounting Policies

#### 2.1 Convention

The financial statements are prepared in accordance with the RBI Act, 1934 and the notifications issued thereunder and in the form prescribed by the Reserve Bank of India General Regulations, 1949. These are based on historical cost except where it is modified to reflect revaluation. The accounting policies followed in preparing the financial statements are consistent with those followed in the previous year unless otherwise stated.

#### 2.2 Revenue Recognition

(a) Income and expenditure are recognised on accrual basis except penal interest which is accounted for only when there is certainty of realisation. Dividend income on shares is recognised on accrual basis when the right to receive the same is established.

(b) Balances unclaimed and outstanding for more than three clear consecutive years in certain transit accounts including Drafts Payable Account, Payment Orders Account, Sundry Deposits Account, Remittance Clearance Account and Earnest Money Deposit Account are reviewed and written back to income. Claims, if any, are considered and charged against income in the year of payment.

- (c) Income and expenditure in foreign currency are recorded at the exchange rates prevailing on the last business day of the week/month/year as applicable.

### **2.3 Gold & Foreign Currency Assets and Liabilities**

Transactions in gold and foreign currency assets and liabilities are accounted for on settlement date basis.

#### **(a) Gold**

Gold is revalued on the last business day of the month at 90 per cent of the daily average price quoted by London Bullion Market Association for the month. The rupee equivalent is determined on the basis of the exchange rate prevailing on the last business day of the month. Unrealised gains/losses are credited/debited respectively to the Currency and Gold Revaluation Account (CGRA).

#### **(b) Foreign Currency Assets and Liabilities**

All foreign currency assets and liabilities (excluding foreign currency received under the swaps that are in the nature of repos and contracts where the rates are fixed contractually) are translated at the exchange rates prevailing on the last business day of the week/month/year as applicable. Gains and losses arising from such translation of foreign currency assets and liabilities are accounted for in CGRA.

Foreign securities, other than Treasury Bills, Commercial Papers and certain "held to maturity" securities (such as investments in notes issued by the International Monetary Fund and bonds issued by India Infrastructure Finance Company (IIFC), UK, which are valued at cost) are marked to market (MTM) as on the last business day of the month.

Appreciation or depreciation is recorded in the Investment Revaluation Account (IRA)-foreign securities. Credit balance in IRA is carried forward to the subsequent year. Debit balance, if any, at the end of the year in IRA is charged to the Contingency Fund and the same is reversed on the first working day of the following financial year.

Foreign treasury bills and commercial papers are carried at cost as adjusted by amortisation of discount. Premium or discount on foreign securities is amortised daily. Profit/loss on sale of foreign currency assets is recognised with respect to the book value. On sale/redemption of foreign dated securities, valuation gain/loss in relation to the securities sold, lying in IRA, is transferred to Income Account.

#### **(c) Forward/Swap Contracts**

Forward contracts entered into by the Bank as part of its intervention operations are revalued on a yearly basis on June 30. While mark to market gain is credited to the 'Foreign Exchange Forward Contracts Valuation Account' (FCVA) with contra debit to the Revaluation of Forward Contracts Account (RFCA), mark to market loss is debited to FCVA with contra credit to the Provision for Forward Contracts Valuation Account (PFCVA). Debit balance in FCVA, if any, on June 30, is required to be charged to the Contingency Fund and reversed on the first working day of the following year. On maturity of the contract, the actual gain or loss is required to be recognised in the Income Account and the unrealised gains/losses previously recorded in the FCVA, RFCA and PFCVA would be reversed. The balance in the RFCA and PFCVA represent the net unrealised gains and losses respectively on valuation of such forward contracts.

In the case of swaps at off-market rates that are in the nature of repo, the difference between the future contract rate and the rate at which the contract is entered into is amortised over the period of the contract and recorded in the Income Account with contra in Swap Amortisation Account (SAA). The amounts recorded in the SAA are reversed on maturity of the underlying contracts. Further, the amounts received under these swaps are not subject to periodic revaluation.

While FCVA and PFCVA form part of 'Other Liabilities and Provisions', RFCVA forms part of 'Other Assets'.

#### 2.4 Transactions in Exchange Traded Currency Derivatives (ETCD)

The ETCD transactions undertaken by the Bank as part of its intervention operations from 2015-16 are marked to market on a daily basis and the resultant gain/loss is booked in Income Account.

#### 2.5 Domestic Investments

##### (a) Rupee securities:

Rupee securities except those mentioned below in (d) and (e) are marked to market as on the last business day of the month with effect from 2015-16. The revaluation gain/loss is booked in 'IRA-Rupee Securities'. Credit balance in IRA is carried forward to the following financial year. Debit balance, if any, at the end of the year in IRA is charged to the Contingency Fund and the same is reversed on the first working day of the following financial year. On sale/redemption of rupee securities, valuation gain/loss in respect of securities sold/redeemed, lying in IRA, is transferred to Income Account. Rupee securities, except those held as assets of Issue Department are subjected to daily amortisation.

- (b) Treasury Bills are valued at cost.
- (c) Investments in shares of subsidiaries are valued at cost.
- (d) Oil bonds and rupee securities earmarked for various staff funds like Gratuity and Superannuation Fund, Provident Fund, Leave Encashment (Retired Employees) Fund, Medical Assistance Fund, Depositor Education and Awareness (DEA) Fund are treated as 'Held to Maturity' and are held at amortised cost.
- (e) Non-interest bearing rupee securities held as assets of Issue Department are held at cost.

#### 2.6 Liquidity Adjustment Facility (LAF) Repo/ Reverse Repo and Marginal Standing Facility (MSF)

From 2014-15, repo transactions under LAF and marginal standing facility (MSF) are treated as lending and accordingly being shown under 'Loans and Advances' whereas 'reverse repo' transactions are treated as deposits and shown under 'Deposit-Others'.

#### 2.7 Fixed Assets

- (a) Fixed Assets are stated at cost less depreciation.
- (b) Depreciation on computers, microprocessors, software (costing ₹100,000 and above), motor vehicles, furniture, *etc.* is provided on straight-line basis at the following rates.

Asset Category	Rate of Depreciation
Motor vehicles, furniture, <i>etc.</i>	20.00 per cent
Computers, Microprocessors, Software, <i>etc.</i>	33.33 per cent

- (c) Fixed Assets, costing less than ₹100,000 (except easily portable electronic assets) are charged to income in the year of acquisition.

Easily portable electronic assets, such as, laptops, etc. costing more than ₹10,000 are capitalised and depreciation is calculated at the applicable rate.

- (d) Individual items of computer software costing ₹100,000 and above are capitalised and depreciation is calculated at the applicable rates.
- (e) Depreciation is provided on year-end balances of the Fixed Assets.
- (f) Depreciation on subsequent expenditure:
- i. Subsequent expenditure incurred on existing asset which has not been fully depreciated in the books of accounts, is depreciated over the remaining useful life of the principal asset;
  - ii. Subsequent expenditure incurred on modernisation/addition/overhauling of the existing asset, which has already been fully depreciated in the books of accounts, is first capitalised and thereafter depreciated fully in the year in which the expenditure is incurred.
- (g) Land and building: The significant accounting policy in respect of depreciation on land and building was revised with effect from July 2015 as follows:

*Land*

- i. Land acquired for lease periods of more than 99 years are treated as if they are on perpetual lease basis. Such leases are considered as freehold properties and accordingly not subjected to amortisation.
- ii. Land acquired on short-term lease (i.e. up to 99 years) is amortised over the period of the lease.

*Buildings*

- i. The life of all buildings is assumed as thirty years and depreciation is charged on a straight-line basis over a period of thirty years. In respect of buildings constructed on lease hold land (where the lease period is less than 30 years) depreciation is charged on a Straight-line basis over the lease period of the land.
  - ii. In the case of existing buildings, where only the Written Down Value (WDV) is available and original cost and accumulated depreciation are not available separately, it is assumed that such buildings have completed half their useful life (i.e. 15 years) and there is a residual life of 15 years. The WDV as on June 30, 2015 will be considered as cost of such existing buildings and will be amortised on a straight-line basis over the residual life of the building.
  - iii. If the completed life of the building is known and if it was less than 30 years as on June 30, 2015, then the WDV of the building as on June 30, 2015 will be amortised over the remaining useful life of the building i.e. 30 years less number of years completed as on June 30, 2015.
  - iv. If the completed life of the building was more than 30 years as on June 30, 2015, then the WDV of the building may be fully amortised in the current year 2015-16.
- (h) Impairment of buildings: For assessment of impairment, buildings are required to be classified into two categories, as under:
- i. *Buildings which are in use but have been identified for demolition in future/ will be discarded in future:* The value in

use of such buildings is the aggregate of depreciation for the future period up to the date it is expected to be discarded/demolished. The difference between the book value and aggregate of depreciation so arrived at is required to be charged as depreciation.

- ii. *Buildings which have been discarded/vacated:* These buildings are to be shown at realisable value (net selling price, if the asset is likely to be sold in future)/scrap value less demolition cost (if it is to be demolished). If the amount is negative, then the carrying value of such buildings have to be shown at ₹1. The difference between the book value and realisable value (net selling price)/scrap value less demolition cost is required to be charged as depreciation. The asset is required to be shown under the head 'Other assets' – 'Miscellaneous'.

## 2.8 Employee Benefits

The liability on account of long term employee benefits is provided based on an actuarial valuation under the projected unit credit method.

### NOTES TO THE ACCOUNTS

## XI.6 LIABILITIES AND ASSETS OF THE BANK

### XI.6.1 LIABILITIES OF BANKING DEPARTMENT

#### (i) Capital

The Reserve Bank was constituted as a private shareholders' bank in 1935 with an initial paid-up capital of ₹0.05 billion. The bank was nationalised with effect from January 1, 1949 and its entire ownership remains vested in the Gol. The paid-up capital continues to be ₹0.05 billion as per section 4 of the RBI Act, 1934.

#### (ii) Reserve Fund

The original Reserve Fund of ₹0.05 billion was created in terms of section 46 of the RBI Act, 1934 as contribution from the Central Government for the currency liability of the then sovereign government taken over by the Reserve Bank. Thereafter, an amount of ₹64.95 billion was credited to this Fund from out of gains on periodic revaluation of gold up to October 1990, taking it to ₹65 billion. The fund has been static since then and gain/loss on account of valuation of gold and foreign currency is booked in the Currency and Gold Revaluation Account (CGRA) which appears under 'Other Liabilities and Provisions'.

#### (iii) Other Reserves

This includes National Industrial Credit (Long Term Operations) Fund and National Housing Credit (Long Term Operations) Fund.

##### a. *National Industrial Credit (Long Term Operations) Fund*

This fund was created in July 1964, under section 46C of the RBI Act, 1934 with an initial corpus of ₹100 million. The fund witnessed annual contributions from the Reserve Bank for financial assistance to eligible financial institutions. Since 1992-93, a token amount of ₹10 million is being contributed each year to the Fund from the Bank's income. The balance in the fund stood at ₹0.25 billion as on June 30, 2016.

##### b. *National Housing Credit (Long Term Operations) Fund*

This fund was set up in January 1989 under section 46D of the RBI Act, 1934 for extending financial accommodation to the National Housing Bank. The initial corpus of ₹500 million has been

enhanced by annual contributions from the Reserve Bank thereafter. From the year 1992-93, only a token amount of ₹10 million is being contributed each year from the Bank's income. The balance in the fund stood at ₹1.99 billion as on June 30, 2016.

*Note: Contribution to other Funds*

There are two other Funds constituted under section 46A of the RBI Act, 1934 viz., National Rural Credit (Long Term Operations) Fund and National Rural Credit (Stabilisation) Fund which are maintained by National Bank for Agriculture and Rural Development (NABARD) for which a token amount of ₹10 million each is set aside and transferred to NABARD every year.

**(iv) Deposits**

These represent the balances maintained with the Reserve Bank, by banks, the central and state governments, All India Financial Institutions, such as, Export Import Bank (EXIM Bank), NABARD etc., Foreign Central Banks, International Financial Institutions, balances in Employees' Provident Fund, DEA Fund and amount outstanding against reverse repo.

Total deposits declined by 2.34 per cent from ₹5,186.86 billion as on June 30, 2015, to ₹5,065.28 billion as on June 30, 2016.

a. *Deposits-Government*

The Reserve Bank acts as banker to the Central Government in terms of sections 20 and 21 and as banker to the State Governments by mutual agreement in terms of section 21(A) of the RBI Act, 1934. Accordingly, the Central

and the State Governments maintain deposits with the Reserve Bank. The balances held by the Central and State Governments was ₹1.00 billion and ₹0.42 billion, respectively, as on June 30, 2016, totalling ₹1.42 billion.

b. *Deposits-Banks*

Banks maintain balances in their current accounts with the Reserve Bank to provide for the Cash Reserve Ratio (CRR) requirements and for working funds to meet payment and settlement obligations. The deposits held by banks stood at ₹4,294.04 billion as on June 30, 2016.

c. *Deposits-Others*

'Deposits-Others' consists of balances of Administrator of Reserve Bank's Employees Provident Fund, balance in DEA Fund, balances in accounts of Foreign Central Banks, Indian and International Financial Institutions and amount outstanding under Reverse Repo. DEA Fund was created in the year 2013-14 for promotion of depositors' interest and for such other related purposes. The balance in the DEA Fund was ₹105.85 billion as on June 30, 2016. The amount under Deposits-Others decreased by 37.85 per cent from ₹1,238.57 billion as on June 30, 2015 to ₹769.82 billion as on June 30, 2016 primarily due to reduction in amount outstanding under reverse repo transactions.

**(v) Other Liabilities and Provisions**

The major components of 'Other Liabilities and Provisions' consist of CF, ADF, Gratuity and Superannuation Funds, Balances in Revaluation Accounts viz; CGRA, IRA-

Foreign Securities, IRA-Rupee Securities, FCVA and PFCVA. While CF and ADF represent provisions made for unforeseen contingencies and to meet internal capital expenditure and make investments in Subsidiaries and associate institutions respectively, the remaining components of 'Other Liabilities and Provisions', such as, CGRA, IRA- Foreign Securities, IRA-Rupee Securities, FCVA and PFCVA, represent unrealised MTM gains/losses. 'Other Liabilities and Provisions' increased by 14.77 per cent from ₹8,905.03 billion as on June 30, 2015 to ₹10,220.38 billion as on June 30, 2016, primarily due to increase in CGRA, IRA-Foreign Securities and addition of a new head of account called IRA-Rupee Securities.

a. *Contingency Fund*

Contingency Fund represents the amount set aside on a year-to-year basis for meeting unexpected and unforeseen contingencies, including depreciation in the value of securities, risks arising out of monetary/exchange rate policy operations, systemic risks and any risk arising on account of the special responsibilities enjoined upon the Bank. The balance in Contingency Fund decreased from ₹2,216.14 billion as on June 30, 2015 to ₹2,201.83 billion as on June 30, 2016 due to MTM loss of ₹14.30 billion on valuation of forward contracts, which was charged to the Contingency Fund as on June 30, 2016 but reversed on the first working day of the following year.

b. *Asset Development Fund*

The Asset Development Fund created in 1997-98, represents the amounts set

**Table XI.2: Balances in Contingency Fund and Asset Development Fund**

(₹ billion)

As on June 30	Balance in CF	Balance in ADF	Total	CF and ADF as per centage to total assets
1	2	3	4=(2+3)	5
2012	1954.05	182.14	2136.19	9.7
2013	2216.52	207.61	2424.13	10.1
2014	2216.52	207.61	2424.13	9.2
2015	2216.14*	217.61	2433.75	8.4
2016	2201.83*	227.61	2429.44	7.5

\* The decline in the CF was due to charging of the debit balance in the Forward Contract Valuation Account (FCVA) on account of MTM loss on forward contract as on June 30, 2015 and 2016.

aside each year to meet internal capital expenditure and make investments in subsidiaries and associate institutions. The balance in ADF increased from ₹217.61 billion in 2014-15 to ₹227.61 billion as provision of ₹10 billion made for additional capital contribution in BRBNMPL was transferred to ADF as on June 30, 2016 (Table XI.2).

c. *Currency and Gold Revaluation Account*

Unrealised gains/losses on valuation of Foreign Currency Assets (FCA) and Gold are not taken to the Income Account but recorded in the Currency and Gold Revaluation Account (CGRA). CGRA represents accumulated net balance of unrealised gains arising out of valuation of FCA and Gold and, therefore, its balance varies with the size of the asset base, movement in the exchange rate and price of gold. During 2015-16, the balance in CGRA increased by 14.0 per cent from ₹5,591.93 billion as on June 30, 2015 to ₹6,374.78 billion as on June 30, 2016 mainly due to depreciation of



rupee against US dollar (appreciation of USD against other major currencies has been off-set by depreciation of INR) and rise in the price of gold.

d. *Investment Revaluation Account (IRA)-Foreign Securities*

The foreign dated securities are marked to market on the last business day of each month and the unrealised gains/ losses arising therefrom are transferred to the IRA-Foreign Securities. The balance in IRA-Foreign Securities increased from ₹32.14 billion as on June 30, 2015 to ₹132.66 billion as on June 30, 2016 as yields on securities held by the Bank declined.

e. *Investment Revaluation Account (IRA)-Rupee Securities*

From July 2015, the Rupee securities (with exceptions as mentioned under significant accounting policy) held as assets of Banking Department are marked to market on the last business day of the month and the unrealised gains/losses arising therefrom are booked in the IRA-Rupee Securities. The balance in this account as on June 30, 2016 was ₹391.46 billion.

f. *Foreign Exchange Forward Contracts Valuation Account & Provision for Forward Contracts Valuation Account*

Marking to market of outstanding forward contracts as on June 30, 2016 resulted in a net loss of ₹14.69 billion, which was debited to the FCVA with contra credit to the PFCVA. As per the extant policy, the debit balance of ₹14.69 billion in FCVA was adjusted against the Contingency Fund on June 30, 2016 and reversed on

July 1, 2016. Accordingly, the balance in FCVA became nil and the balance in PFCVA as on June 30, 2016 was ₹14.69 billion, as against a balance of ₹0.39 billion in PFCVA as on June 30, 2015.

The balances in CGRA, IRA-Foreign Securities, FCVA and PFCVA for the last five years is given in Table XI.3.

g. *Provision for payables*

This represents the year-end provisions made for expenditure incurred but not defrayed and income received in advance/payable, if any. Provision for payables increased from ₹16.81 billion in 2014-15 to ₹32.33 billion in 2015-16 primarily due to the provision made for reimbursing service tax on agency commission paid to agency banks.

h. *Surplus transferable to the Government of India*

Under Section 47 of the RBI Act, 1934, after making provisions for bad and doubtful debts, depreciation in assets, contribution to Staff and Superannuation

**Table XI.3: Balances in Currency and Gold Revaluation Account (CGRA), Foreign Exchange Forward Contracts Valuation Account (FCVA), Provision for Forward Contracts Valuation Account (PFCVA) and Investment Revaluation Account (IRA)-Foreign Securities**

(₹ billion)

As on June 30	CGRA	FCVA	PFCVA*	IRA-Foreign Securities
1	2	3	4	5
2012	4,731.72	24.05	--	122.22
2013	5,201.13	16.99	--	24.85
2014	5,721.63	42.98	0.00	37.91
2015	5,591.93	0.00	0.39	32.14
2016	6,374.78	0.00	14.69	132.66

\*: Opened during 2013-14.

Fund and for all matters for which provisions are to be made by or under the Act or that are usually provided by bankers, the balance of the profits of the Bank is required to be paid to the Central Government. Under Section 48 of the RBI Act, 1934, the Bank is not liable to pay income tax or super tax or any other tax on any of its income, profits or gains and is also exempt from payment of wealth tax. Accordingly, after adjusting the expenditure and provision of ₹10 billion for additional capital contribution in BRBNMPL and contribution of ₹0.04 billion to the statutory funds, the surplus transferable to the Gol for the year 2015-16 amounted to ₹658.76 billion, (including ₹10.35 billion as against ₹11.46 billion in the previous year payable towards the difference in interest expenditure borne by the Government consequent on conversion of special securities into marketable securities).

i. *Bills payable*

The Reserve Bank provides remittance facilities for its constituents through issue of Demand Drafts (DDs) and Payment Orders (POs) (besides electronic payment mechanism). The balance under this head represents the unclaimed DDs/ POs. The amount outstanding under this head increased from ₹0.17 billion as on June 30, 2015 to ₹0.20 billion as on June 30, 2016.

j. *Miscellaneous*

This is a residual head representing items such as interest earned on earmarked securities, amounts payable on leave encashment, medical provisions for

employees, etc. The balance under this head decreased from ₹30.83 billion as on June 30, 2015 to ₹28.40 billion as on June 30, 2016.

## **XI.6.2 LIABILITIES OF ISSUE DEPARTMENT Notes Issued**

The liabilities of Issue Department reflect the quantum of currency notes in circulation. Section 34 (1) of the RBI Act, 1934 requires that all bank notes issued by the Reserve Bank since April 1, 1935 and the currency notes issued by the Government of India before the commencement of operations of the Reserve Bank, be part of the liabilities of the Issue Department. The currency notes in circulation increased by 15.92 per cent from ₹14,732.43 billion as on June 30, 2015 to ₹17,077.16 billion as on June 30, 2016.

## **XI.7 ASSETS**

### **XI.7.1 ASSETS OF BANKING DEPARTMENT**

i) **Notes, Rupee coin and small coin**

This head represents the balances of Bank notes, one rupee notes, rupee coins of ₹1, 2, 5 and 10 and small coins kept in the vaults of the Banking Department to meet the day to day requirements of the banking functions conducted by the Reserve Bank. The balance as on June 30, 2016 was ₹0.14 billion as against ₹0.11 billion as on June 30, 2015.

ii) **Gold coin and bullion**

The Bank holds 557.77 metric tonnes of gold, of which 292.28 metric tonnes is held as backing for notes issued and shown separately as an asset of Issue Department. The balance 265.49 metric tonnes is treated as an asset of Banking Department. The value of gold held as asset of Banking Department increased by 14.41 per cent

from ₹578.84 billion as on June 30, 2015 to ₹662.23 billion as on June 30, 2016 primarily on account of rise in international gold prices and depreciation of INR *vis-a-vis* USD.

### iii) Bills purchased and discounted

Though the Reserve Bank can undertake purchase and discounting of commercial bills under the RBI Act, 1934, no such activity was undertaken in 2015-16; consequently, there was no such asset in the books of the Reserve Bank as on June 30, 2016.

### iv) Investments Foreign-Banking Department

The Foreign Currency Assets (FCA) of the Reserve Bank are reflected under two heads in the Balance Sheet: (a) 'Investments-

Foreign-BD' shown as asset of Banking Department and (b) 'Investments-Foreign-ID' shown as asset of Issue Department.

Investments-Foreign-BD include: (i) deposits with other central banks, (ii) deposits with the Bank for International Settlements (BIS), (iii) balances with foreign branches of commercial banks, (iv) investments in foreign treasury bills and securities, and (v) Special Drawing Rights (SDR) acquired from the Government of India.

Investments-Foreign-ID comprises Deposits, T-bills and dated securities.

The position of FCA for the last two years is given in Table XI.4.

**Table XI.4: Details of Foreign Currency Assets**

(₹ billion)

Particulars	As on June 30	
	2015	2016
1	2	3
I Investment Foreign –ID	14,082.75	16,335.92
II Investment Foreign –BD*	7,276.29	6,727.84
<b>Total</b>	<b>21,359.04</b>	<b>23,063.76</b>

\* : includes Shares in BIS and SWIFT and SDRs valued at ₹100.58 billion.

#### Notes:

- RBI has agreed to make resources available under the IMF's New Arrangements to Borrow (NAB) [which subsumes the earlier commitment of US\$ 10 billion (₹676.17 billion) under the Note Purchase Agreement]. Consequent to the payment of quota increase to IMF under the Fourteenth General Review of Quotas in February 2016, India's commitment under NAB has been reduced to SDR 4,440.91 million (₹419.15 billion /US\$ 6.20 billion) in February 2016 as against SDR 8,740.82 million (₹824.99 billion /US\$12.20 billion) previously. As on June 30, 2016, investments amounting to SDR 783.99 million (₹73.99 billion/US\$ 1.09 billion) have been made under the NAB.
- RBI has agreed to invest up to an amount, the aggregate of which shall not exceed US\$ 5 billion (₹338.08 billion), in the bonds issued by India Infrastructure Finance Company (UK) Limited. As on June 30, 2016, the Reserve Bank has invested US\$ 2.10 billion (₹141.99 billion) in such bonds.
- In terms of the Note Purchase Agreement 2012 entered into by RBI with IMF, RBI would purchase SDR denominated Notes of IMF for an amount up to the equivalent of US\$ 10 billion (₹676.17 billion).
- During the year 2013-14, the Reserve Bank and Government of India (GoI) entered into a MoU for transfer of SDR holdings from GoI to RBI in a phased manner. As on June 30, 2016, SDR 1.07 billion (₹100.58 billion; US\$ 1.49 billion) were held by the Bank.
- With a view to strengthening regional financial and economic cooperation, the Reserve Bank of India has agreed to offer an amount of US\$ 2 billion both in foreign currency and Indian rupee under the SAARC Swap Arrangement to SAARC member countries. As on June 30, 2016, Sri Lanka (Central Bank of Sri Lanka) has availed US\$ 400 million (₹27.05 billion) and Bhutan has availed ₹6.72 billion (US \$ 99.34 million).

## v) Investments - Domestic-Banking Department

Investments comprise dated government rupee securities, treasury bills and special oil bonds. However, as on June 30, 2016 the Reserve Bank did not hold any domestic treasury bills. The Reserve Bank's holding of domestic securities increased by 35.71 per cent, from ₹5,174.97 billion as on June 30, 2015 to ₹7,022.85 billion as on June 30, 2016. The increase was on account of (a) liquidity management operations conducted by way of net Open Market Operation (OMO) purchases of government securities amounting to ₹1,384.38 billion and (b) valuation gains on account of lower level of G-sec yields on June 30, 2016 compared to last year.

## vi) Loans and Advances

### a. Central and State Governments

These loans are extended in the form of Ways and Means Advances (WMA) in terms of Section 17(5) of the RBI Act, 1934 and the limit in case of Central Government is fixed from time to time in consultation with the GoI and in case of State Governments, the limits are fixed based on the recommendations of Advisory Committee/Group constituted for this purpose. No loans and advances to the Central Government were outstanding as on June 30, 2016 and June 30, 2015. Loans and advances to the State Governments as on June 30, 2016 stood at ₹19.86 billion as compared with ₹25.77 billion as on June 30, 2015.

### b. Loans and advances to Commercial, Co-operative Banks, NABARD and others

Loans and advances to Commercial and Co-operative Banks mainly include

amounts outstanding against repo under LAF and MSF. The amount outstanding decreased by 38.44 per cent from ₹732.48 billion as on June 30, 2015 to ₹450.92 billion as on June 30, 2016 primarily due to reduction in amount outstanding against repo.

*Loans and Advances to NABARD:* The Reserve Bank can extend loans to NABARD under section 17 (4E) of the RBI Act, 1934. As on June 30, 2016 no loans were outstanding.

*Loans and advances to others:* The balance under this head represents loans and advances to National Housing Bank (NHB), liquidity support provided to Primary Dealers (PDs) and outstanding repo/term repo conducted with the PDs. The balance under this head increased by 12.62 per cent from ₹44.07 billion as on June 30, 2015 to ₹49.63 billion as on June 30, 2016 primarily due to increase in amount outstanding against repo.

## vii) Investment in Subsidiaries/Associates

The details of investment in subsidiaries/associate institutions as on June 30, 2016 are given in table XI.5. The total holding increased

**Table XI.5: Holdings in Subsidiaries/Associates as on June 30, 2016**

(Amount in ₹ billion)

Particulars	Amount	Per cent holding
1	2	3
a) Deposit Insurance and Credit Guarantee Corporation (DICGC)	0.50	100
b) National Bank for Agriculture and Rural Development (NABARD)	0.20	0.40
c) National Housing Bank (NHB)	14.50	100
d) Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL)	8.00	100
<b>Total</b>	<b>23.20</b>	

from ₹13.20 billion as on June 30, 2015 to ₹23.20 billion on account of additional capital subscription in NHB.

#### viii) Other Assets

'Other Assets' comprise fixed assets (net of depreciation), accrued income on loans to employees and domestic and foreign investments, balances held in (i) Swap Amortisation Account (SAA), (ii) Revaluation of Forward Contracts Account (RFCA), and miscellaneous assets. Miscellaneous assets comprise mainly loans and advances to staff, amount spent on projects pending completion, security deposit paid *etc.* The amount outstanding under 'Other Assets' increased by 26.43 per cent from ₹313.43 billion as on June 30, 2015 to ₹396.28 billion as on June 30, 2016 primarily on account of increase in swap amortisation.

##### a. Swap Amortisation Account (SAA)

In the case of swaps that are in the nature of repo at off-market rates, the difference between the future contract rate and the rate at which the contract is entered into is amortised over the period of the contract and held in the SAA. The amount outstanding in SAA rose by 64.28 per cent from ₹94.33 billion as on June 30, 2015 to ₹154.97 billion as on June 30, 2016 as no Swaps matured during 2015-16. The amount held in this account will be reversed on maturity of the underlying contracts.

##### b. Revaluation of Forward Contracts Account (RFCA)

Forward contracts that are entered into as part of intervention operations are marked to market on June 30. The net

gain, if any, is recorded in FCVA with contra entry in the RFCA. There was no balance in RFCA as on June 30, 2016 as there was marked to market loss on forward contracts.

#### XI.7.2 ASSETS OF ISSUE DEPARTMENT

The eligible assets of the Issue Department held as backing for notes issued consist of gold coin and bullion, rupee coin, Investment-Foreign ID, Gol non-interest bearing rupee securities and domestic bills of exchange and other commercial papers. The Reserve Bank holds 557.77 metric tonnes of gold, of which 292.28 metric tonnes is held as backing for notes issued (Table XI.6). The value of gold held as backing for notes issued increased by 14.41 per cent from ₹637.23 billion as on June 30, 2015 to ₹729.07 billion as on June 30, 2016, on account of rise in international gold prices and depreciation of INR *vis-a-vis* USD. Consequent upon an increase in notes issued, foreign currency assets held as backing for notes issued (Investment-Foreign-ID) increased by 16.0 per cent from ₹14,082.75 billion as on June 30, 2015 to ₹16,335.92 billion as on June 30, 2016. The balance of Rupee coins held by the Issue

**Table XI 6: Physical Holding of Gold**

Category	As on June 30, 2015	As on June 30, 2016
	Volume in metric tonnes	Volume in metric tonnes
	2	3
Gold held for backing note issue (held in India)	292.26	292.28*
Gold held as asset of Banking Department (held abroad)	265.49	265.49
<b>Total</b>	<b>557.75</b>	<b>557.77</b>

\* The gold held as part of Issue Department Assets increased by 0.02 metric tonnes (18688.131 fine grams), due to the transfer of excess RBI Platinum Jubilee gold coins to the gold reserves.

Department decreased by 14.07 per cent from ₹1.99 billion as on June 30, 2015 to ₹1.71 billion as on June 30, 2016. Investment-domestic-ID consisting of non-interest bearing rupee securities remained unchanged at ₹10.46 billion.

### XI.8 FOREIGN EXCHANGE RESERVE

The Foreign Exchange Reserves (FER) predominantly comprise FCA, besides Gold, Special Drawing Rights (SDRs) and Reserve Tranche Position (RTP). The Special Drawing Rights, (other than the amount acquired from Gol and included under Foreign Investment–BD) does not form part of Reserve Bank's balance sheet. Similarly, the RTP, which represents India's quota contribution to IMF in foreign currency is not part

**Table XI.7(a): Foreign Exchange Reserves in Rupee**

(₹ billion)

Components	As on June 30		Variation	
	2015	2016	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	21,100.57 <sup>^</sup>	22,787.43 <sup>#</sup>	1,686.86	7.99
Gold	1,216.07 <sup>*</sup>	1,391.30 <sup>@</sup>	175.23	14.41
Special Drawing Rights (SDR)	259.03	100.58	(-) 158.45	(-) 61.17
Reserve Position in the IMF	83.96	162.27	78.31	93.27
Foreign Exchange Reserves (FER)	22,659.63	24,441.58	1,781.95	7.86

<sup>^</sup> : Excludes (a) SDR Holdings of the Reserve Bank acquired from GOI, amounting to ₹99.08 billion, which is included under the SDR holdings, (b) Investment of ₹133.89 billion in bonds issued by IIFC (UK) and (c) ₹25.50 billion lent to Sri Lanka under a Currency Swap arrangement made available for SAARC countries.

<sup>#</sup> : Excludes (a) SDR Holdings of the Reserve Bank amounting to ₹100.58 billion, which is included under the SDR holdings, (b) Investment of ₹141.99 billion in bonds issued by IIFC (UK), (c) ₹27.04 billion lent to Sri Lanka and ₹6.72 billion lent to Bhutan under a Currency Swap arrangement made available for SAARC countries.

<sup>\*</sup> : Of this, gold valued at ₹637.23 billion is held as asset of Issue Department as backing for notes issued and gold valued at ₹578.84 billion is held as asset of Banking Department.

<sup>@</sup> : Of this, gold valued at ₹729.07 billion is held as asset of Issue Department as backing for notes issued and gold valued at ₹662.23 billion is held as asset of Banking Department.

**Table XI.7(b): Foreign Exchange Reserves**

(US\$ billion)

Components	As on June 30		Variation	
	2015	2016	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	331.55 <sup>*</sup>	339.04 <sup>**</sup>	7.49	2.26
Gold	19.07	20.58	1.51	7.92
Special Drawing Rights (SDR)	4.06	1.49	(-) 2.57	(-) 63.30
Reserve Position in the IMF	1.32	2.40	1.08	81.82
Foreign Exchange Reserves (FER)	356.00	363.51	7.51	2.11

<sup>\*</sup> : Excludes (a) SDRs equivalent to US\$ 1.55 billion acquired by the Reserve Bank from GOI, which is included under the SDR holdings, (b) Investment of US\$ 2.1 billion in bonds issued by IIFC (UK) and (c) LKR equivalent to US\$ 0.4 billion received from Sri Lanka under a Currency Swap arrangement made available for SAARC countries.

<sup>\*\*</sup> : Excludes (a) SDR Holdings of the Reserve Bank amounting to US\$ 1.49 billion, which is included under the SDR holdings, (b) US\$ 2.1 billion invested in bonds of IIFC (UK), and (c) LKR equivalent of US\$ 0.4 million lent to Sri Lanka & BTN equivalent to US\$ 0.1 billion equivalent of INR currency lent to Bhutan under a Currency Swap arrangement made available for SAARC countries.

of Reserve Bank's balance sheet. The position of Foreign Exchange Reserves as on June 30, 2015 and June 30, 2016 in Indian Rupees and the US dollar, which is the numeraire currency for our foreign exchange reserves, are furnished in Tables XI.7 (a) and (b).

### ANALYSIS OF INCOME AND EXPENDITURE

#### INCOME

XI.9 The main components of Reserve Bank's income are Interest Receipts and 'Others'. 'Others' includes (i) Discount, (ii) Exchange, (iii) Commission, (iv) Rent Realised, (v) Profit or loss on sale of Bank's property, and (vi) Provisions no longer required and miscellaneous. Interest receipts forms the major portion, supplemented by relatively small amounts of income from other sources, viz., discount, exchange, commission

**Table XI.8: Earnings from Foreign Sources**

(₹ billion)

Item	June 30		Variation	
	2014-15	2015-16	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets	21,359.04	23,063.76	1,704.72	7.98
Average FCA	18,909.29	22,229.65	3,320.36	17.56
Earnings from FCA (interest, discount, exchange gain/loss, capital gain/loss on securities)	257.44	287.13	29.69	11.53
Earnings from FCA as per cent of average FCA	1.36	1.29	(-).07	(-) 5.14

and others. Certain items of income such as interest on LAF repo, exchange gain are reported on net basis.

### Earnings from Foreign Sources

XI.10 The income from foreign sources, increased by 11.53 per cent from ₹257.44 billion in 2014-15 to ₹287.13 billion in 2015-16 mainly on account of increase in the size of foreign currency assets which increased from ₹21,359.04 billion as on June 30, 2015 to ₹23,063.76 billion as on June 30, 2016. The rate of earnings on foreign currency assets was lower at 1.29 per cent in 2015-16 as compared with 1.36 per cent in 2014-15 due to decline in interest rates in global financial markets. (Table XI. 8).

### Earnings from Domestic Sources

XI.11 The net income from domestic sources decreased by 2.53 per cent from ₹535.12 billion in 2014-15 to ₹521.57 billion in 2015-16, mainly on account of decline in (i) profit on sale of rupee securities, (ii) net interest on LAF operations and (iii) interest on loans and advances (Table XI.9).

XI.12 Interest on holding of rupee securities was marginally lower at ₹430.79 billion in 2015-16 as compared to ₹436.30 billion in the previous year. This was because of lower daily average balance of rupee securities in 2015-16 compared to 2014-15, and consequently lower coupon income. From July to November 2015, the holding of rupee

securities went down progressively on account of regular open market operations (OMO) sales. The holding of rupee securities increased towards the later part of the year on account of OMO purchases.

XI.13 The net interest income from Liquidity Adjustment Facility (LAF)/Marginal Standing Facility (MSF) operations (interest on repo under LAF and MSF less interest paid by the Reserve Bank on Reverse Repo) decreased by 78.85 per cent from ₹30.17 billion in 2014-15 to ₹6.38 billion in 2015-16. The decrease in net interest income on LAF/MSF operations was on account of higher expenditure on interest payment under reverse repo in 2015-16 as compared to 2014-15.

XI.14 Profit on sale of securities decreased by 84.42 per cent to ₹21.68 billion in 2015-16 from ₹139.15 billion in 2014-15. This was largely on account of change in the method of management of surplus cash balance of GoI since December 2014.

XI.15 As mentioned in para 5.2.6 of the Report of Technical Committee to review the form of presentation of the Balance Sheet and Profit & Loss Account, when the Government of India had surplus cash balances, part of these balances were utilised to purchase securities from RBI's portfolio and when these surplus funds were needed to be used by the Government, the securities so sold to the Government were purchased back by RBI.

These transactions were made at the face value of the securities, irrespective of their market value on that date, and profit or loss on sale arising on account of difference between face value and book value was accounted for as profit/loss. However, since December 2014, these transactions are treated as reverse repo transactions, and therefore no profit is booked.

XI.16 As mentioned in the significant accounting policy, the rupee securities are amortised on daily basis during the period of residual maturity and the premium/discount is credited to 'Amortisation of Premium /Discount on Rupee Securities' account. The income booked under 'Amortisation of Premium /Discount on Amortisation of Rupee Securities' was ₹42.58 billion for 2015-16.

#### **XI.17 Interest on loans and advances**

##### *a. Central and State Government*

Interest income on Ways and Means Advances (WMA)/Overdraft (OD) received from the Centre and States decreased by 57.93 per cent from ₹4.73 billion as on June 30, 2015 to ₹1.99 billion as on June 30, 2016. Interest income received on account of WMA/OD from the Centre during 2015-16 period was lower at ₹0.81 billion as compared to ₹3.57 billion during 2014-15. This decrease in interest income was due to lower average utilisation of WMA in 2015-16 as compared to OD for 19 days in the previous year. As regards the States, the interest on WMA/OD/ special drawing facility (SDF) received during 2015-16 was ₹1.18 billion marginally higher than ₹1.16 billion in 2014-15. This is attributable to marginal increase in daily average utilisation of WMA/OD/SDF by the States in 2015-16.

##### *b. Banks & Financial institutions*

Interest received on loans and advances from banks and financial institutions decreased from ₹8.87 billion in 2014-15 to ₹1.58 billion in 2015-16 mainly on account of discontinuance of Export Credit Refinance Scheme.

##### *c. Employees*

Interest received on loans and advances from employees decreased marginally from ₹0.46 billion in 2014-15 to ₹0.41 billion in 2015-16.

#### **Other earnings**

XI.18 Other income from domestic sources increased by 17.78 per cent from ₹13.72 billion in 2014-15 to ₹16.16 billion in 2015-16 mainly on account of increase in commission income due to (i) increase in floatation charges on account of increased market borrowing of states during 2015-16; and (ii) increase in management commission received on outstanding amount of Central and State Government loans.

#### **EXPENDITURE**

XI.19 The Reserve Bank incurs expenditure in the course of performing its statutory functions by way of agency charges/commission, printing of notes, expenses on remittance of treasure besides staff related and other expenses. The total expenditure of the Reserve Bank increased by 12.23 per cent from ₹133.56 billion in 2014-15 to ₹149.90 billion in 2015-16 primarily due to provision made for reimbursing service tax on agency commission paid to agency banks (Table XI.10).

##### **(i) Interest**

During 2015-16 an amount of ₹0.01 billion was credited as interest to Dr. B.R. Ambedkar Fund (set up for giving scholarship to wards of staff) and Employees Benevolent Fund.



**Table XI.9: Earnings from Domestic Sources**

(Amount in ₹ billion)

Item	2014-15	2015-16	Variation	
			Absolute	Per cent
1	2	3	4	5
<b>Earnings (I + II+III)</b>	<b>535.12</b>	<b>521.57</b>	<b>-13.55</b>	<b>-2.53</b>
<b>I. Earnings from domestic securities</b>				
i) Interest on holding of domestic securities	436.30	430.79	-5.51	-1.26
ii) Depreciation #	(-98.28)	0.00	98.28	100.00
iii) Profit on Sale of Securities	139.15	21.68	-117.47	-84.42
iv) Premium /discount on amortisation of domestic securities	0.00	42.58	42.58	-
v) Net Interest on LAF Operations	28.29	5.06	-23.23	-82.11
vi) Interest on MSF operations	1.88	1.32	-0.56	-29.79
<b>Sub total (i+ii+iii+iv+v+vi)</b>	<b>507.34</b>	<b>501.43</b>	<b>-5.91</b>	<b>-1.16</b>
<b>II. Interest on Loans and Advances</b>				
i) Government (Central & States)	4.73	1.99	-2.74	-57.93
ii) Banks & Financial Institutions	8.87	1.58	-7.29	-82.19
iii) Employees	0.46	0.41	-0.05	-10.87
<b>Sub total (i+ii+iii)</b>	<b>14.06</b>	<b>3.98</b>	<b>-10.08</b>	<b>-71.69</b>
<b>III. Other Earnings</b>				
i) Discount	0.00	0.00	0.00	0.00
ii) Exchange	0.00	0.00	0.00	0.00
iii) Commission	13.38	15.31	1.93	14.42
iv) Rent realised, Profit or Loss on sale of Bank's Property, Provisions no longer required and miscellaneous	0.34	0.85	0.51	150.00
<b>Sub total (i+ii+iii+iv)</b>	<b>13.72</b>	<b>16.16</b>	<b>2.44</b>	<b>17.78</b>

# Till 2014-15, revaluation of rupee securities was done based on Lower of Book Value or Market Value (LOBOM) and depreciation was adjusted against Income. However from 2015-16, based on recommendation of Technical Committee I and II, rupee securities are carried at fair value and marked to market (MTM) gain or loss is booked in the Investment Revaluation Account (IRA) - Rupee Securities.

**Table XI.10: Expenditure**

(₹ in billion)

Item	2011-12	2012-13	2013-14	2014-15	2015-16
1	2	3	4	5	6
i. Interest Payment	0.59	0.03	0.04	0.01	0.01
ii. Employees Cost	29.93	58.59	43.24	40.58	44.77
iii. Agency charges/ commission	33.51	28.07	33.25	30.45	47.56
iv. Printing of notes	27.04	28.72	32.14	37.62	34.21
v. Provisions*	0.00	0.00	0.00	10.00	10.00
vi. Others	10.30	10.08	10.67	14.90	13.35
<b>Total (i+ii+iii+iv+v+vi)</b>	<b>101.37</b>	<b>125.49</b>	<b>119.34</b>	<b>133.56</b>	<b>149.90</b>

\* New head added in 2014-15 based on recommendation of Technical committee formed to review the form of balance sheet and profit and loss account of the Bank.

**(ii) Employee cost**

The employee cost increased by 10.33 per cent from ₹40.58 billion in 2014-15 to ₹44.77 billion in 2015-16 due to revision in pay and allowances.

**(iii) Agency Charges**

*a. Agency Commission on Government Transactions*

The Reserve Bank discharges the function of banker to the government through a large network of agency bank branches that serve as retail outlets for government transactions. It pays commission to these agency banks at prescribed rates which were last revised

with effect from July 01, 2012. The agency commission paid to these banks on account of government business increased by 58.39 per cent from ₹29.63 billion for 2014-15 to ₹46.93 billion for 2015-16, due to increase in government expenditure, including pension arrears and growth in the economy resulting in higher levels of government tax and non-tax receipts and provision made for reimbursing service tax on agency commission paid to agency banks.

b. *Underwriting Commission paid to Primary Dealers*

The Reserve Bank paid total underwriting commission of ₹0.35 billion during 2015-16 as compared to ₹0.33 billion during 2014-15. The underwriting commission was marginally on higher side on account of higher borrowing during 2015-16 (₹5,850 billion as compared to ₹5,740 billion in 2014-15). Further in the quarter Jan-Mar 2016, the hardening of yields on account of concerns over UDAY bonds issuance, large SDL issuance, fiscal impact of One Rank One Pension (OROP) and 7th Pay Commission, also contributed to higher underwriting commission.

c. *Fees paid to the custodians etc.*

Fees paid for overseas custodial services during 2015-16 amounted to ₹0.27 billion as compared to ₹0.49 billion in 2014-15.

**iv) Printing of notes**

The expenditure incurred on printing of notes decreased by 9.06 per cent from ₹37.62 billion in 2014-15 to ₹34.21 billion in 2015-16

mainly on account of decrease in the overall supply of bank notes, particularly of higher denomination notes and downward revision of rates by BRBNMPL during 2015-16.

**v) Others**

Other expenses consisting of expenditure on remittance of treasure, printing and stationery, audit fees and related expenses, miscellaneous expenses, etc. decreased by 10.41 per cent from ₹14.90 billion in 2014-15 to ₹13.35 billion in 2015-16. This was primarily on account of decrease in expenditure on Banking Development Scheme from ₹3.03 billion in 2014-15 to ₹0.89 billion in 2015-16.

**vi) Provisions**

A provision of ₹10 billion was made on June 30, 2016 and transferred to the Asset Development Fund (ADF) for contribution towards additional share capital of BRBNMPL.

**CONTINGENT LIABILITIES**

XI.20 Based on the suggestions made by Statutory Auditors of Reserve Bank, beginning 2015-16, the contingent liabilities of Reserve Bank are being disclosed. For the purpose of disclosure, contingent liabilities of ₹1,00,000 and above only have been considered. The contingent liabilities as on June 30, 2016 stood at ₹1.30 billion. A large part of the contingent liability is on account of partly paid shares of Bank of International Settlements (BIS). The Bank holds partly paid shares, denominated in SDR, of BIS. The uncalled liability on partly paid shares of the BIS as on June 30, 2016 was ₹1.14 billion as compared to ₹1.08 billion in the previous year. The balances are callable at three months' notice by a decision of the BIS Board of Directors. The remaining amount of ₹0.16 billion is on account of payments due to

staff vendors and other entities which are under dispute.

#### **PRIOR PERIOD TRANSACTIONS**

XI.21 Based on the suggestions made by Statutory Auditors of Reserve Bank, beginning 2015-16, the prior period transactions are being disclosed. For the purpose of disclosure, prior period transactions of ₹1,00,000 and above only have been considered. The prior period transactions under expenditure and income amounted to ₹11.47 billion and ₹0.03 billion, respectively. Out of ₹11.47 billion, an amount of ₹10.64 billion is on account of provision made for reimbursing service tax on agency commission paid to banks for 2012-13, 2013-14 and 2014-15.

#### **PREVIOUS YEAR'S FIGURES**

XI.22 Figures for the previous year have been rearranged, wherever necessary, to make them comparable with the current year.

#### **AUDITORS**

XI.23 The statutory auditors of the Bank are appointed by the Central Government in terms of section 50 of the RBI Act, 1934. The accounts of the Reserve Bank for the year 2015-16 were audited by M/s CNK & Associates, LLP, Mumbai and M/s Borkar and Muzumdar, Mumbai as the Statutory Central Auditors and M/s M Choudhury & Co., M/s Brahmayya & Co. and M/s V K Verma & Co. as Statutory Branch Auditors.

# ANNEX

## CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS: JULY 2015 TO JUNE 2016\*

Date of Announcement	Policy Initiative
<b>Monetary Policy Department</b>	
June 2, 2015	The policy repo rate was reduced by 25 bps from 7.50 per cent to 7.25 per cent.
September 29	The policy repo rate was reduced by 50 bps from 7.25 per cent to 6.75 per cent.
March 3, 2016	Marginal Cost of Funds based Lending Rate (MCLR) system introduced effective April 1, 2016.
April 5	<p>The policy repo rate was reduced by 25 bps from 6.75 per cent to 6.5 per cent.</p> <p>The minimum daily maintenance of CRR reduced from 95 per cent of the requirement to 90 per cent effective April 16, 2016.</p> <p>The average <i>ex ante</i> liquidity deficit in the banking system will be progressively reduced from 1 per cent of NDTL to a position closer to neutrality.</p> <p>The policy rate corridor was narrowed from +/-100 bps to +/- 50 bps by reducing the MSF rate by 75 bps to 7.0 per cent and increasing the reverse repo rate by 25 bps to 6.0 per cent for finer alignment of the weighted average call rate (WACR) with the policy repo rate.</p> <p>The supply of durable liquidity will be smoothened over the year using asset purchases and sales as needed.</p>
<b>Financial Inclusion and Development Department</b>	
July 16, 2015	The overall direct lending by banks to non-corporate farmers should not fall below the system-wide average of the last three years' achievement.
August 13	Banks were advised about the central government's interest subvention scheme during 2015-16 for providing short term crop loans up to ₹3 lakhs.
August 21	Banks were advised to provide relief measures (provisioning of input subsidy as compensation to farmers) in areas affected by natural calamities following reduction in the government criteria for crop loss from 50 per cent to 33 per cent.
August 27	Banks were advised to streamline the credit flow to Micro and Small Enterprises (MSEs) facilitating timely and adequate credit during their life cycle.
November 19	The applicable system-wide average figure for computing achievements under priority sector lending by banks (overall direct lending to non-corporate farmers) for FY 2015-16 is 11.57 per cent.
December 3	Priority sector lending guidelines for RRBs were revised by setting for them an overall target of 75 per cent of the total outstanding loans.
December 31	SLBC convenor banks were advised to identify villages (population above 5000) without a bank branch of an SCB and allot the identified villages among SCBs (including RRBs) for opening of branches by March 31, 2017.
January 14, 2016	<p>Guidelines for the conduct of camps by FLCs and rural branches were revised with the objective of targeting different groups as well as to ensure adequate synchronization between various stake holders.</p> <p>Use of Aadhaar card and linking of bank accounts with Aadhaar card is purely voluntary and not mandatory.</p>

\*: Indicative in nature and details available on the Reserve Bank's website.

**CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS**

Date of Announcement	Policy Initiative
January 21	PSBs were advised that all women SHGs would be eligible for interest subvention on credit upto ₹3 lakhs at 7 per cent per annum under the National Rural Livelihood Mission (NRLM).
March 17	Guidelines on 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises (MSMEs)' were issued to all SCBs (excluding RRBs) advising them to put in place a board approved policy to operationalise the framework not later than June 30, 2016.  Banks were instructed to ensure strict compliance with the guidelines on the Pradhan Mantri Fasal Bima Yojana (PMFBY). As the scheme is compulsory for loanee farmers availing Seasonal Agricultural Operational (SAO) Loans/ Kisan Credit Card (KCC) holders, banks were advised to ensure 100 per cent coverage of loanee farmers in notified areas growing notified crops.
April 7	The scheme of Priority Sector Lending Certificates (PSLC) was introduced to enable the banks to achieve the priority sector lending target and sub-targets.  Scope of the National Urban Livelihood Mission (NULM) was enhanced by the Government with the mission renamed as 'Deendayal Antyodaya Yojana (DAY)-National Urban Livelihoods Mission'.
May 5	Banks were advised to discontinue submission of the half yearly statements on Special Agriculture Credit Plans (SACP) from April 2016 onwards.
June 2	Banks were advised to ensure implementation of the guidelines on relief measures by banks in areas affected by natural calamities contained in master circular dated July 1, 2015.
June 30	Banks were advised to act with empathy and consider restructuring and granting fresh loans to farmers in areas affected by natural calamities without waiting for the receipt of the insurance claims, in cases where there is reasonable certainty of receipt of the claim.  Banks were advised to facilitate access to their records pertaining to crop insurance schemes to the audit teams deputed by the offices of the Principal Accountant General/Accountant General (Audit) in respective states.
<b>Financial Market Regulation Department</b>	
July 2, 2015	An independent benchmark administrator, 'Financial Benchmarks India Pvt. Ltd.' (FBIL), jointly floated by FIMMDA, FEDAI and IBA was incorporated.
July 16	The restriction on investment with less than three year residual maturity shall not apply to investment by FPIs in SRs issued by ARCs.
July 22	FBIL took over the administration of the benchmark for the overnight inter-bank rate based on the actual traded rate replacing the existing 'FIMMDA-NSE Overnight MIBID/MIBOR'.
September 23	FBIL started publishing the polled term Mumbai interbank offer rate (MIBOR) for three tenors, viz., 14 days, one month and three months.
October 6	A Medium Term Framework (MTF) for FPI limits in g-sec was announced.
October 8	The limit for hedging forex exposure of all resident, individuals, firms and companies through forex forward and FCY-INR options contracts was increased to US\$ 1,000,000 on the basis of a simple declaration.
October 29	Short sale transaction in g-sec by a custodian with its gilt account holder was allowed within the permissible short sale limit.

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Date of Announcement	Policy Initiative
November 5	Residents were permitted to enter into FCY-INR swaps with multilateral or international financial institutions in which central government is a shareholder.
November 26	FPIs were permitted to acquire NCDs/bonds, which defaulted, fully or partly, in the repayment of principal or principal instalment for amortising bond.
December 10	SCBs were permitted to take short positions in "When Issued" market while other eligible entities, <i>e.g.</i> , UCBs were permitted to take long position.  Recognised stock exchanges were permitted to offer cross-currency futures and exchange traded options in EUR-USD, GBP-USD and USD-JPY, and exchange traded options in EUR-INR, GBP-INR and JPY-INR in addition to the existing USD-INR options.
March 17, 2016	Stand-alone PDs were permitted to deal in currency futures on their own account.
March 29	The FPI investment limit in central g-sec for the next half year was increased in two tranches. The limit for SDL was also increased in two tranches.
April 28	Entities reporting trades on Financial Market Trade Reporting and Confirmation Platform (F-TRAC) of the Clearcorp Dealing System India Ltd. were allowed to enter into multilateral agreement for waiving physical exchange of confirmation for deals in CPs, CDs, NCDs of original maturity up to one year and repo in corporate debt securities, CPs and CDs.
May 5	CCIL was specified as an approved counterparty for IRS on electronic trading platforms where CCIL was the central counterparty to enable participation of regulated institutional entities.  FBIL started publishing the FBIL FC-Rupee Options Volatility Matrix rates.
June 23	Eligible Indian exporters and importers were permitted to sell covered options against their contracted exposures.
<b>Financial Markets Operations Department</b>	
July 27, 2015	Straight through processing (STP) for fixed rate repo and reverse repo including MSF was introduced, effective August 03, 2015.
August 28	Call/notice/term money, market repo and CBLO would remain open on all working Saturdays, effective September 01, 2015.
November 24	The timing of fixed rate repo was revised as 9 a.m. to 3 p.m. and that of fixed rate reverse repo and MSF set at 5:30 p.m. to 7:30 p.m., effective November 30, 2015. The option of physical bid was discontinued.
December 9	The Reserve Bank would intervene in the exchange traded currency derivatives segment, if required, to manage excessive volatility and to maintain orderly conditions in the market.
February 17, 2016	For aligning liquidity operations with payment systems, reverse repo and MSF operations will be conducted between 5:30 p.m. and 7:30 p.m. on all Mumbai holidays when the RTGS would be open, effective February 19, 2016.
April 21	USD/INR reference rate would be published based on volume weighted average of actual market transactions instead of polling, effective May 2, 2016.
<b>Foreign Exchange Department</b>	
July 2, 2015	Unsold rough diamonds imported on free of cost basis at special notified zone (SNZ), when re-exported from SNZ without entering the Domestic Tariff Area (DTA) would not require the formality of Export Declaration Form.

**CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS**

Date of Announcement	Policy Initiative
July 3	FDI is prohibited only for 'manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes' and not for other activities relating to these products including wholesale cash and carry, and retail trading.
July 16	The ESOP regulations were reframed in sync with those of SEBI for listed companies and of Ministry of Corporate Affairs for unlisted companies.  AD banks were permitted to factor export receivables on a non-recourse basis.
August 21	The online filing of form FCTRS with the Reserve Bank was enabled through the e-biz platform from August 24, 2015.
September 10	The filing of return on trade related loans and advances by exporters to overseas importers from their Exchange Earners' Foreign Currency (EEFC) accounts was dispensed with.  The submission of documents by full-fledged money changers (FFMC)/AD category II while opening additional branches was relaxed.  Resident importers were allowed to raise trade credit in Rupees (INR).
September 24	The instructions, <i>e.g.</i> , eligible credits and debits on opening of foreign currency accounts in India by ship-manning/crew-management agencies were reiterated in a more simplified manner.  AD category-I banks were permitted to offer facility of payment for imports by entering into standing arrangements with the Online Payment Gateway Service Providers for goods and software.
September 29	A framework for issuance of Rupee denominated bonds overseas was set within the overarching ECB policy, and the various parameters, <i>e.g.</i> , eligible borrowers, recognised investors, maturity and all-in-cost were defined.
September 30	No proceedings under FEMA will lie against a person resident in India who has acquired any asset outside India in respect of which a declaration has been made under the Black Money Act, and for which taxes and penalties have been paid by the declarant.
October 8	The use of Nostro accounts of commercial banks of ACU countries, <i>i.e.</i> , the ACU Dollar and ACU Euro accounts, for settling the payments of exports and imports among the ACU countries, was permitted.
October 29	The National Pension System (NPS) was enabled as an investment option for NRIs under FEMA, provided such subscriptions were through normal banking channels and the person was eligible to invest under the PFRDA Act.
November 5	The settlement mode at the Indo-Myanmar border was switched from barter to normal trade.  All software exporters can file single/bulk SOFTEX form in excel format for certification.
November 26	Bill of entry issued by Customs and courier bill of entry as declared by courier companies to the Customs may be accepted as evidence by AD banks for physical import of goods and import through courier, respectively.
November 30	ECB framework was revised with– (i) fewer restrictions on end uses and higher all-in-cost ceiling for long term foreign currency borrowings; (ii) a more liberal regime for rupee denominated ECBs; (iii) expansion of the list of overseas lenders to include long term lenders; (iv) alignment of the list of eligible infrastructure entities with the harmonized list of the Government of India; and (v) limiting the restrictions on end uses to a small negative list.
February 1, 2016	Physical filing of three FDI related returns: ARF, FC-GPR and FC-TRS was discontinued and online filing of forms on Government's e-Biz portal was introduced.
February 4	Banks were advised to settle export/import transactions in the currency of beneficiary where invoices were in freely convertible currencies and direct exchange rate might not be available.  Nine regulations under FEMA were revised, repealing the original nine notifications and subsequent 51 amendments. Circulars were issued for seven out of nine revised regulations.

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Date of Announcement	Policy Initiative
February 11	The online submission of Form A2 for outward remittances was enabled and certain issues were clarified: issue of shares without cash payment through sweat equity/against legitimate payment owed by a company remittance of which does not require permission under FEMA, collection of payments by startups on behalf of their subsidiaries abroad.
March 3	The AD category I banks were advised to consider requests from status holder exporters for grant of Export Declaration Form (EDF) waiver, for export of goods free of cost based on the revised norm of ₹10 lakh or 2 per cent of average annual export realisation during preceding three licensing years, whichever was lower.
March 23	The reporting by AD banks to the Reserve Bank under the Diamond Dollar Account Scheme was dispensed with.
March 30	Companies in infrastructure sector, NBFC-IFCs, NBFC-AFCs, holding companies and CICs were made eligible to raise ECB under Track I of the framework with minimum average maturity of 5 years, subject to 100 per cent hedging; 'exploration, mining and refinery' sectors would be deemed as 'infrastructure' for the purpose of ECB; and refinancing of ECBs raised under the old regime was allowed.
March 31	AD banks were permitted to extend clean credit for import of rough, cut and polished diamonds up to a maximum 180 days beyond 180 days from the date of shipment.  FDI limit for insurance was increased from 26 per cent to 49 per cent under automatic route.
April 13	Keeping of deposits with an Indian Company by persons resident outside India under Section 160 of the Companies Act, 2013 was clarified to be a current account transaction which would not require any approval from RBI.  FPI limit in corporate debt is to be fixed in rupee terms. The issuance of rupee denominated bonds will be within such limit notified from time to time.  Online reporting requirements for Overseas Direct Investment (ODI) were rationalised.
April 21	A person resident outside India including Registered Foreign Portfolio Investors and NRIs will be allowed to invest in the units issued by Real Estate Investment Trusts, Infrastructure Investment Trusts and Alternate Investment Funds on repatriation basis.
April 28	The notification relating to Remittance of Assets (FEMA 13) and its subsequent amendments were repealed and revised notification FEMA 13(R) was gazetted on April 1, 2016.  The main features of the proposed Import Data Processing and Monitoring System (IDPMS) to be operationalised soon were outlined.  Under the speed remittance procedure, the mandated requirement of maintenance of collateral or cash deposits by the exchange houses with whom banks entered into Rupee drawing arrangement was done away with, AD banks may, however, determine the collateral requirement.
May 26	The compounding orders issued on or after June 01, 2016 will be placed on the Reserve Bank website. The guidance note on the methodology used for calculation of the amount imposed under the compounding process was released.
June 23	A startup having an overseas subsidiary was permitted to open a foreign currency account outside India for crediting forex earnings out of its exports/sales and/or the receivables arising out of exports/sales of its overseas subsidiary.  Indian companies registered under IRDA that are into insurance/reinsurance business are being permitted to open a foreign currency account with a bank outside India.
June 30	The ECB proposals received in the Reserve Bank above a certain threshold (refixed from time to time) will be placed before an empowered committee.



**CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS**

Date of Announcement	Policy Initiative
<b>Department of Banking Regulation</b>	
July 2, 2015	<p>Banks were advised to make use of the CRILC information and not limit their due diligence to seeking NOC from the customer's lending banks as per his/her declaration.</p> <p>Banks were permitted to slot their excess SLR securities and MSF eligible securities under day-1 bucket.</p> <p>The actual interest rate charged before restructuring could be used to discount the future cash flows for determining the diminution in fair value of loans on restructuring/flexible structuring of existing project loans. In case of differential interest rates for a borrower, the weighted average interest rate might be used as a discount rate.</p>
July 9	<p>While reporting information to CICs, a new status value: "restructured due to natural calamity" has to be introduced for the fields "written off and settled status" in the consumer bureau and "major reasons for restructuring" in the commercial bureau while reporting restructured/rescheduled agricultural loans on account of declared natural calamities, effective September 30, 2015.</p>
July 16	<p>'Past due' status of a credit card account will be reckoned from the payment due date mentioned in the monthly credit card statement.</p> <p>Banks were advised to present details of deposits with NABARD/SIDBI/NHB for meeting shortfall in priority sector lending in schedule 11 of the balance sheet.</p>
July 30	<p>Banks were permitted to undertake factoring business departmentally with recourse, without recourse or on limited recourse basis under the Factoring Regulation Act, 2011.</p>
August 6	<p>The prescription of additional interest of 1.28 per cent by PSBs on deposits of defence group insurance stands withdrawn.</p> <p>Domestic SCBs were made free to shift, part shift, merge or close all branches without the prior approval of the Reserve Bank. However, banking needs of a centre where a sole rural/semi-urban branch has been closed need to be met through either satellite offices/mobile vans or BCs.</p>
August 28	<p>Rules and subsequently guidance notes, including the amendments to income tax rules for operationalisation of inter-governmental agreement, and common reporting standards under the Foreign Account Tax Compliance Act were released.</p>
September 16	<p>Prior approval of the Reserve Bank is no longer required for non-strategic investments by profit making banks with CRAR of 10 per cent and more.</p> <p>Banks were given general permission to grant loans and advances to their CEOs/ Whole Time Directors for personal use, without seeking prior approval of the Reserve Bank, provided such loans form part of the bank's compensation/ remuneration policy approved by the Board of Directors.</p>
September 24	<p>A JLF-empowered group consisting of ED-level representatives from SBI, ICICI Bank and three other banks having exposure to the concerned borrower and two more banks not having exposure would be tasked to approve the rectification/restructuring packages under the corrective action plans. JLF would decide on the restructuring of an account classified as 'doubtful' if the account is viable and the JLF-EG would approve the proposal. The dissenting lenders would have an option to exit their exposure fully. If restructuring fails, JLF would have the option to initiate strategic debt restructuring bringing about change in management.</p> <p>Banks were allowed to extend partial credit enhancement to corporate bonds as an irrevocable contingent line of credit to be drawn to fund a shortfall in servicing of bonds, if any.</p> <p>Banks were permitted to upgrade the credit facilities to 'standard' category extended to borrowing entities whose ownership was changed outside the SDR mechanism.</p>
September 29	<p>Bank Rate was cut by 50 bps from 8.25 per cent to 7.75 per cent, effective September 29, 2015.</p>

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Date of Announcement	Policy Initiative
October 8	<p>Claims on foreign central banks would attract risk weights as per the rating to those by international rating agencies.</p> <p>LTV ratio and risk weight on individual housing loans were revised for 'housing for all'.</p>
October 22	<p>SCBs (excluding RRBs) were issued direction on the implementation of the Gold Monetisation Scheme, 2015 of the Government.</p>
October 30	<p>Banks were advised to accept marriage certificate or Gazette notification indicating change in name together with the 'officially valid document' in the existing name while establishing an account based relationship or its updation.</p>
November 3	<p>Minimum deposit under the Gold Monetisation Scheme, 2015 was amended as 30 grams of raw gold instead of 30 grams of gold of 995 fineness.</p> <p>Banks were advised that the rates of interest on medium-term and long-term government deposits as fixed by the government would be 2.25 per cent and 2.5 per cent, respectively.</p>
November 6	<p>Banks were asked to provide their comments on the proposed "harmonised" definitions of major balance sheet/ profit and loss/ off-balance sheet items covered in the banking/ regulatory returns received across various departments of the Bank by November 30, 2015.</p>
November 19	<p>Prior approval for acquisition of shares or voting rights in private banks was made necessary.</p> <p>Consolidated (group) level capital adequacy would apply to non-operative financial holding company (NOFHC) for new private banks.</p> <p>While offering factoring services, banks could decide the percentage of invoice to be paid upfront based on their own assessment of the creditworthiness of the assignor/buyer.</p> <p>RRBs were allowed to extend internet banking facility to their customers.</p>
November 26	<p>Banks were advised to be in readiness to share the KYC data with the Central KYC Records Registry once it is notified by the Government.</p> <p>A foreign bank can deploy a maximum of four expatriates for each branch opened in India and not more than six expatriates for their head office functions.</p> <p>The criterion regarding assets and income of factoring companies eligible for bank finance was revised to 50 per cent from 75 per cent.</p>
December 4	<p>Banks were advised on the operational procedure for claiming the reimbursement under the interest equalisation scheme on pre- and post-shipment rupee export credit.</p>
December 10	<p>SLR would be reduced progressively by 0.25 per cent every quarter till March 31, 2017 as also the ceiling on SLR holding under HTM category.</p>
December 17	<p>Guidelines were issued on computing interest rates on advances based on marginal cost of funds.</p>
December 31	<p>Banks were allowed to extend credit facilities to overseas step down subsidiaries of Indian corporates beyond the first level with the requirement of an additional provision of 2 per cent (over and above the country risk provision that is applicable to all overseas exposures).</p>
January 7, 2016	<p>IBUs were permitted to open foreign currency current accounts of units operating in IFSCs and of non-resident institutional investors. No limit was prescribed for raising short-term liabilities from banks. However, the IBUs must maintain LCR as applicable to Indian banks and follow the liquidity risk management guidelines.</p> <p>Banks were allowed to grant non-fund based facilities including partial credit enhancement to those customers, who did not avail any fund-based facility from any bank in India.</p>

**CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS**

Date of Announcement	Policy Initiative
January 7, 2016	If any credit facility availed by the issuer is classified as NPA by an AIFI, investment in any security including preference shares of the same issuer would also be treated as NPI and vice versa. If the preference share is classified as NPI, investment in any other performing securities of the same issuer or performing credit facilities may not be classified as NPI/NPA.
January 14	In relation to Basel III capital regulations, coupons on perpetual debt instruments must be paid out of current year's profits. However, if current year's profits are not sufficient, the balance amount of coupon needs to be paid out of revenue reserves and/or credit balance in profit and loss account, if any.  Banks were permitted to offer all their products and services through ATM channels.  SCBs including RRBs and CICs were advised to capture member-level data relating to SHGs in phases.
February 11	SCBs (excluding RRBs) were advised to follow the Ind AS as notified under the Companies (Indian Accounting Standards) Rules, 2015 from 2018-19.  Banks should seek appointment of a guardian only when the concerned person is mentally ill and is not able to enter into a valid and legally binding contract.  Banks have been permitted to reckon government securities held by them by an additional 3 per cent of their NDTL under FALLCR within the mandatory SLR requirement as Level 1 HQLA for the purpose of computing their LCR. Hence the total carved-out from SLR available to banks would be 10 per cent of their NDTL.
February 24	KYC Direction, 2016 was issued consolidating all relevant instructions issued by different departments of the Reserve Bank.
February 25	Prudential guidelines pertaining to SDR, framework to revitalise the distressed assets in the economy, restructuring of advances and sale of financial assets to securitisation/reconstruction company were partly modified and clarified.
March 1	Treatment of certain balance sheet items was amended for determining banks' regulatory capital in line with the Basel III capital standards.
March 13	Master Directions on interest rate on deposits and advances were issued.
March 23	The existing guidelines on LCR were clarified and were added up with instructions making them more compatible with Basel III liquidity risk framework.
March 31	As per the Gold Monetisation Scheme, 2015, redemption of principal at maturity would, at the option of depositor, be in either equivalent Indian Rupee or gold. For redemption in gold, an administrative charge of 0.2 per cent would be collected. Interest accrued on medium and long-term gold deposit would be based on value of gold in Indian Rupees at the time of deposit and would be paid only in cash.
April 5	Bank Rate was reduced by 75 bps to 7.0 per cent, effective April 05, 2016.  The minimum daily maintenance of Cash Reserve Ratio has been reduced from 95 per cent to 90 per cent effective from fortnight beginning April 16, 2016.
April 21	Banks were advised to display suitable posters/notices in their branches cautioning public against placing deposits in dubious schemes.  Banks could undertake the business of investment advisory services only through a separate subsidiary or one of its existing subsidiaries, with the prior approval of the Reserve Bank.  General permission was extended to private banks to issue shares through available routes subject to compliance with the extant provisions and reporting to the Reserve Bank.  Private banks and registered NBFCs need to submit information/documents along with the application for amalgamation to the Reserve Bank for consideration.

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Date of Announcement	Policy Initiative
May 11	Guidelines on ownership in private banks were revised in view of licensing of new banks in the private sector and the need for additional capital under Basel III.
May 18	FDI up to 100 per cent under automatic route was allowed for CICs provided the entities had a track record of running a credit information bureau in a well-regulated environment.
May 26	Banks were provided with a framework of regulations for conduct of certain businesses permitted under Section 6(1) of the BR Act, 1949, apart from the prudential limits for banks' investment in financial and non-financial services companies as also the requirement for approval and procedure for application to the Reserve Bank.
June 13	<p>Banks were allowed to spread out any shortfall over a period of two years for NPAs sold up to March 31, 2016 subject to necessary disclosures. The said dispensation was extended for assets sold up to March 31, 2017. For assets sold during 2016-17, banks were allowed to amortize the shortfall over a period of four quarters.</p> <p>For reworking the financial structure of entities facing genuine difficulties, the Reserve Bank put in place a 'Scheme for Sustainable Structuring of Stressed Assets' (S4A).</p>
June 16	Banks were advised to begin collection of the relevant information from SHG members and reporting to CICs.
June 23	<p>Banks were advised to submit the Proforma Ind AS Financial Statements for the half year ended on September 30, latest by November 30, 2016.</p> <p>Banks were advised to report information on CPs and unhedged foreign currency exposures on a monthly and quarterly basis respectively, to the CICs from July 1, 2016.</p> <p>Directions on financial statements presentation, disclosure and reporting will be applicable to AIFIs effective the quarter ended December 2016.</p>
<b>Department of Co-operative Bank Regulation</b>	
July 16, 2015	CBS-enabled co-operative banks were permitted to issue ATM-cum-debit cards in tie-up with a sponsor bank.
October 15	Co-operative banks were permitted to use spot gold price data of the preceding 30 days, publicly disseminated by a commodity exchange regulated by SEBI for advance against pledge of gold ornaments/jewellery.
October 21	StCBs/DCCBs were permitted to invest in shares of market infrastructure companies as part of their non-SLR investments.
November 5	Co-operative banks which implemented CBS and migrated to Internet Protocol Version (IPv) 6 were permitted to offer internet banking (view only). If the prescribed criteria besides the above were fulfilled, internet banking with transactional facility was allowed.
November 19	Guidelines for acceptance of deposits by scheduled UCBs from other scheduled/non-scheduled UCBs were issued.
January 21, 2016	Co-operative banks were advised to accept cheques bearing a date as per the national calendar (SakaSamvat) for payment, if otherwise found in order.
February 11	Instructions were issued to AD category-I scheduled UCBs for claiming reimbursement under the interest equalisation scheme on pre- and post-shipment rupee export credit.
March 10	StCBs/DCCBs were permitted to include under Tier I capital, contributions received from associate/ nominal members and the outstanding special reserve if created as deferred tax liability under Section 36(1) (viii) of the Income Tax Act, 1961.

**CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS**

Date of Announcement	Policy Initiative
March 23	UCBs and StCBs eligible for setting up on-site/off-site/mobile ATMs were permitted to offer their products and services through ATM.
April 13	Financial assistance to UCBs for implementation of CBS through IDRBT/IFTAS was introduced. UCBs which were not operating under directions u/s 35 A of the Banking Regulation Act, 1949 and had not implemented/partially implemented CBS were eligible for assistance.
April 21	UCBs which fulfilled the prescribed criteria and whose priority sector loans were not less than 90 per cent of gross loans were permitted to grant unsecured advances to the extent of 35 per cent of their total assets.
June 30	Licensed UCBs which had implemented CBS and fulfilled the prescribed criteria were allowed to open one controlling office for a cluster of not less than 40 branches without prior approval of the Reserve Bank.
<b>Department of Non-Banking Regulation</b>	
July 2, 2015	For determination of concentration of credit/ investment, investments of NBFC in the shares of its subsidiaries and companies in the same group should be excluded to the extent they have been reduced from owned funds for calculation of NOF.
July 9	NBFCs would require prior approval of the Reserve Bank in cases of acquisition/ transfer of control of NBFCs.
July 23	Guidelines on early recognition of financial distress, prompt steps for resolution and fair recovery for lenders: framework for revitalising distressed assets, review of the guidelines on JLF and corrective action plans as applicable to banks were made, <i>mutatis mutandis</i> , applicable to NBFCs.
July 30	Guidelines on restructuring of advances as applicable to banks were made, <i>mutatis mutandis</i> , applicable to NBFCs.
August 6	The investment ceiling in AAA-rated corporate bonds by standalone PDs was raised from 25 per cent to 50 per cent of the latest audited net owned fund for a single borrower/counterparty and from 40 per cent to 65 per cent for a group borrower.
October 01	The condition relating to the maximum variance permitted would not apply to loans extended by NBFC-MFIs against the funding by National Scheduled Castes Finance and Development Corporation.
October 29	Modifications in the guidelines on early recognition of financial distress, prompt steps for resolution and fair recovery for lenders: framework for revitalising distressed assets in the economy, review of the guidelines on JLF and corrective action plans as applicable to banks were made, <i>mutatis mutandis</i> , applicable to NBFCs.
November 26	The limit of loan issued by NBFC-MFIs with a tenure of not less than 24 months was raised to ₹30,000 from ₹15,000.
January 28, 2016	NBFCs should disclose that the safe deposit locker facility is not regulated by the Reserve Bank. It would be a fee-based service and should not be counted as part of the financial business carried out by NBFCs.
February 18	NBFCs were prohibited from acting as Point of Presence (PoP) under the PFRDA's National Pension System.  Clarifications/instructions were issued to NBFC-Factors to discourage regulatory arbitrage between NBFC-Factors and banks.  Threshold for fraud reporting by NBFCs to the Central Fraud Monitoring Cell was increased to ₹10 million from ₹2.5 million.
March 3	Draft directions for NBFC-Account Aggregator were placed in public domain for comments.

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Date of Announcement	Policy Initiative
March 10	Risk weights assigned to exposures of NBFCs to domestic sovereigns or claims guaranteed by them were reviewed.
April 7	Concentration of credit/ investment norms would not apply to an NBFC-NDSI not accessing public funds, either directly or indirectly, and not issuing guarantees.
April 13	NBFC-MFIs were granted general permission to act as channelising agents for distribution of loans under special schemes of central/state government agencies exempting such loans from the qualifying assets criteria.
April 21	IDF-NBFCs were granted general permission to raise funds through shorter tenor bonds and CPs from the domestic market to the extent of up to 10 per cent of their total outstanding borrowing.
April 28	Standalone PDs were advised to link the risk weights assigned to their investments in corporate bonds to the rating of bonds. P2P consultation paper was released on the RBI website for public comments.
May 26	Guidelines on SDR mechanism, framework to revitalise distressed assets and revisions to the guidelines on restructuring as applicable to banks were made, <i>mutatis mutandis</i> , applicable to NBFCs.
June 2	Guidelines on refinancing of loans applicable to banks were extended to NBFCs.
June 17	The process of registration of NBFCs was simplified.
<b>Department of Banking Supervision</b>	
July 1, 2015	The classification and reporting system for frauds was prescribed, consolidating and updating earlier instructions.
July 15	Guidelines on the concurrent audit system in commercial banks were revised setting out its scope and coverage.
September 24	ED-in-charge of internal inspection and audit should be a member of the Audit Committee of the Board of Directors (ACB) in a PSB. Other EDs can be invited if the agenda includes any item for discussion from their domain.
November 23	Select banks were advised to conduct an audit (internal or external) of all the export transactions for KYC/AML/FEMA compliance.
January 20, 2016	Banks were advised to review the internal audit system and fine-tune the scope of the mechanism by strengthening the role of internal auditor.
January 21	Banks having overseas branches/representative offices/subsidiaries and joint ventures were advised to report on overseas operations as per the prescribed format in their quarterly DO letters.  Banks were advised of the revised limits for reporting of fraud cases.  Banks were advised about the operationalisation of the Central Fund Registry effective January 20, 2016 and revision of limits in reporting of fraud cases.
February 18	Banks were advised to examine the deficiencies in lending practices adopted by them for KCC accounts in their banks.
March 17	Banks were advised to examine the deficiencies in lending practices followed for the facilities extended to the brokers of NSEL.
March 31	Banks were advised that they were not required to submit the single quarterly report on the 'progress in implementation of Risk Management System/ALM, Risk-Based Supervision and Risk-Based Internal Audit', to the Reserve Bank on a quarterly basis effective the quarter ending March 2016 in view of the switch to Risk-Based Supervision from April 1, 2016.

**CHRONOLOGY OF MAJOR POLICY ANNOUNCEMENTS**

Date of Announcement	Policy Initiative
April 28	Compliance to the recommendations of Jilani Committee on the classification and reporting of frauds need not be reported to the ACB. Banks should ensure that the compliance was complete and sustained.
June 30	Banks were advised to discontinue the submission of quarterly report on foreign branches/subsidiaries/joint ventures/associates effective June 30, 2016.
<b>Consumer Education and Protection Department</b>	
July 15, 2015	The procedural instructions for redressal of grievances by the Chief Customer Service Officer (Internal Ombudsman) of banks were issued.
<b>Internal Debt Management Department</b>	
October 19, 2015	Sovereign yield curve was extended to forty years by issuance of Government of India security of 40 year maturity for the first time.
October 30	Sovereign Gold Bond scheme was introduced, providing an attractive alternate investment opportunity to purchase of gold.
December 31	The Medium-Term Debt Management Strategy (MTDS) formulated by the Reserve Bank in consultation with the Government was placed in public domain.
January 29, 2016	The WMA limit for all states was enhanced to ₹322.25 billion from ₹153.60 billion.
<b>Department of Currency Management</b>	
August 27, 2015	In consultation with the Government, the procedure for detection of counterfeit notes has been reviewed.
September 24	The Reserve Bank decided to issue banknotes in Mahatma Gandhi Series 2005 with a new numbering pattern in all denominations and special features for the visually impaired in ₹100, 500 and 1000 denominations.
December 23	The deadline for exchange of banknotes printed before 2005 was extended from December 31, 2015 to June 30, 2016.
January 21, 2016	Approval has been given by the Reserve Bank to allow the currency chest holding banks to enhance the service charge to be levied on cash deposited by non-chest bank branches to be effective from February 1, 2016.
April 13	Banks having currency chests should ensure conducting of fire audits bi-annually (once in two years) by the officials from the District Fire Department.
May 5	CDES – A revised scheme of incentives for bank branches based on performance in rendering customer service has been formulated by segregating the scheme of incentives from penalties.
June 30	From July 01, 2016 onwards, the facility for the members of public to exchange the pre-2005 banknotes is available only at issue offices of the Reserve Bank (including Kochi).
<b>Department of Payment and Settlement Systems</b>	
July 9, 2015	A new category of semi-closed Prepaid Payment Instruments (PPI) up to ₹2000 was introduced for Mass Transit Systems (PPI-MTS) to facilitate small value electronic payments.
August 27	The limit for cash withdrawal at Point of Sale (POS) was enhanced from ₹1000 to ₹2000 per day in Tier III to VI centres.
August 27	Guidelines were released for issuance of EMV Chip and Pin based cards.

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<b>Date of Announcement</b>	<b>Policy Initiative</b>
September 1	RTGS time window was modified to be operational for full day on working Saturdays.
December 17	Operative guidelines for banks to carry out changes in their ATM switch to facilitate Customer Registration for Mobile Banking at ATMs connected to National Financial Switch.
February 4, 2016	RTGS service charges were rationalised for members while the maximum fee a member could charge from its customer remained unchanged.
May 12	Guidelines for Voluntary surrender of Certificate of Authorisation (COA) were issued laying out the process for surrendering and consequent cancellation of the COA on voluntary basis.
May 26	<p>To encourage and expand card acceptance infrastructure to a wider segment of merchants across all geographical locations; the banks were advised to put in place their own Board approved policy on merchant acquisition.</p> <p>The banks/ White Label ATM operators were advised to ensure that all the existing ATMs installed/operated by them are enabled for processing of EMV Chip and PIN cards.</p>



APPENDIX TABLES

**APPENDIX TABLE 1: MACROECONOMIC AND FINANCIAL INDICATORS**

Item	Average 2003-04 to 2007-08 (5 years)	Average 2009-10 to 2013-14 (5 years)	2013-14	2014-15	2015-16
1	2	3	4	5	6
<b>I. Real Economy*</b>					
I.1 Real GDP at market prices (% change)	8.8	7.0	6.6	7.2	7.6
I.2 Real GVA at basic prices (% change)**	8.7	6.7	6.3	7.1	7.2
I.3 Foodgrains Production (Million tonnes)	213.6	248.8	265.0	252.0	252.2
I.4 a) Food Stocks (Million tonnes at end-March)	18.6	50.1	49.5	41.3	43.6
b) Procurement***	39.3	61.3	56.9	60.1	62.2
c) Off-take	41.5	57.0	59.8	56.0	63.7
I.5 Index of Industrial Production (% change)	11.2	3.5	-0.1	2.8	2.4
I.6 Index of Eight Core Industries (% change)	5.9	5.8	4.2	4.5	2.7
I.7 Gross Domestic Saving Rate (% of GNDI at current prices)	32.4	31.4	32.3	32.3	...
I.8 Gross Domestic Investment Rate (% of GDP at current prices)	33.6	35.8	34.7	34.2	...
<b>II. Prices</b>					
II.1 Consumer Price Index (CPI) Combined (average % change)	...	...	9.4	5.8	4.9
II.2 CPI- Industrial Workers (average % change)	5.0	10.3	9.7	6.3	5.6
II.3 Wholesale Price Index (average % change)	5.5	7.1	6.0	2.0	-2.5
<b>III. Money and Credit</b>					
III.1 Reserve Money (% change)	20.4	12.1	14.4	11.3	13.1
III.2 Broad Money (M <sub>3</sub> ) (% change)	18.6	14.7	13.4	10.9	10.1
III.3 a) Aggregate Deposits of Scheduled Commercial Banks (% change)	20.2	15.0	14.1	10.7	9.3
b) Bank Credit of Scheduled Commercial Banks (% change)	26.7	16.7	13.9	9.0	10.9
<b>IV. Financial Markets</b>					
IV.1 Interest rates (%)					
a) Call / Notice Money rate	5.6	7.2	8.3	8.0	7.0
b) 10 year G-Sec yield	7.0	8.0	8.4	8.3	7.8
c) 91-Days T-bill yield	...	...	8.9	8.5	7.4
d) Weighted Average cost of Central Government Borrowings	...	...	8.4	8.5	7.9
e) Commercial Paper	7.7	8.4	9.3	8.8	8.1
f) Certificate of Deposits <sup>#</sup>	8.9	8.2	9.2	8.7	7.8
IV.2 Liquidity (₹ billion)					
a) LAF Outstanding~	...	...	-2,179.9	-1,938.8	-2,995.2
b) MSS Outstanding~~	...	...	0.0	0.0	0.0
c) Average Daily Call Money Market Turnover	184.9	255.3	302.3	255.7	269.5
d) Average Daily G-Sec Market Turnover <sup>##</sup>	77.1	241.4	429.0	501.2	474.9
e) Variable Rate Repo <sup>\$</sup>	...	...	1,200.2	1,628.7	2,635.7
f) MSF <sup>\$</sup>	...	...	737.4	416.4	600.5
<b>V. Government Finances</b>					
V.1 Central Government Finances (% of GDP) <sup>@</sup>					
a) Revenue Receipts	9.8	9.1	9.0	8.8	8.8
b) Capital Outlay	1.2	1.5	1.5	1.3	1.5
c) Total Expenditure	14.4	14.8	13.8	13.3	13.1
d) Gross Fiscal Deficit	3.6	5.3	4.5	4.1	3.9
V.2 State Government Finances <sup>@@</sup>					
a) Revenue Deficit (% of GDP) <sup>\$\$</sup>	0.4	0.0	0.1	0.3	0.1
b) Gross Fiscal Deficit (% of GDP) <sup>\$\$</sup>	2.7	2.2	2.2	2.4	3.3
c) Primary Deficit (% of GDP) <sup>\$\$</sup>	0.3	0.6	0.7	1.0	1.8

APPENDIX TABLES

**APPENDIX TABLE 1: MACROECONOMIC AND FINANCIAL INDICATORS (Concl.)**

Item	Average 2003-04 to 2007-08 (5 years)	Average 2009-10 to 2013-14 (5 years)	2013-14	2014-15	2015-16
1	2	3	4	5	6
<b>VI. External Sector</b>					
VI.1 Balance of Payments					
a) Merchandise Exports (% change)	25.3	12.2	3.9	-0.6	-15.9
b) Merchandise Imports (% change)	32.3	9.7	-7.2	-1.0	-14.1
c) Trade Balance/GDP (%)	-5.4	-9.0	-7.9	-7.1	-6.3
d) Invisible Balance/GDP (%)	5.1	5.7	6.2	5.8	5.2
e) Current Account Balance/GDP (%)	-0.3	-3.3	-1.7	-1.3	-1.1
f) Net Capital Flows/GDP (%)	4.6	3.7	2.6	4.4	2.0
g) Reserve Changes (BoP basis) (US \$ billion) [Increase (-)/Decrease (+)]	-40.3	-6.6	-15.5	-61.4	-17.9
VI.2 External Debt Indicators					
a) External Debt Stock (US\$ billion)	156.5	359.0	446.2	475.0	485.6
b) Debt-GDP Ratio (%)	17.7	20.7	23.8	23.8	23.7
c) Import cover of Reserves (in Months)	14.0	8.5	7.8	8.9	10.9
d) Short-term Debt to Total Debt (%)	13.6	21.3	20.5	18.0	17.2
e) Debt Service Ratio (%)	8.3	5.6	5.9	7.6	8.8
f) Reserves to Debt (%)	113.7	84.8	68.2	71.9	74.2
VI.3 Openness Indicators (%)					
a) Export plus Imports of Goods/GDP	30.4	40.7	42.1	38.1	32.0
b) Export plus Imports of Goods & Services/GDP	40.8	52.8	54.5	49.8	43.5
c) Current Receipts plus Current Payments/GDP	46.6	58.9	61.0	56.0	49.4
d) Gross Capital Inflows plus Outflows/GDP	36.8	50.0	52.3	49.6	47.2
e) Current Receipts & Payments plus Capital Receipts & Payments/GDP	83.5	108.9	113.3	105.5	96.6
VI.4 Exchange Rate Indicators					
a) Exchange Rate (Rupee/US Dollar)					
End of Period	43.1	51.1	60.1	62.6	66.3
Average	44.1	51.2	60.5	61.1	65.5
b) 36 - Currency REER (% change)	3.1^	0.8	-2.2	5.5	2.9
c) 36 - Currency NEER (% change)	1.7^	-4.9	-7.7	2.4	0.9
d) 6 - Currency REER (% change)	4.4^^	1.9	-3.7	6.3	3.0
e) 6 - Currency NEER (% change)	1.6^^	-5.4	-10.4	1.2	-1.1

... : Not Available

\* : I.1, I.2, I.7 and I.8 in column 2 and 3 pertains to base 2004-05; also, I.7 and I.8 in column 3 pertains to average of 2009-10 to 2012-13.

\*\* : I.2 in column 2 and 3 pertain to real GVA at factor cost.

\*\*\* : Procurement of rice and wheat relates to respective marketing seasons.

# : Data for column 2 pertains to April 13, 2007 to March 28, 2008.

## : Outright trading turnover in central government dated securities (based on calendar days).

~ : LAF outstanding as on March 31 (negative means injection).

~~ : Outstanding as on last Friday of the financial year.

\$ : Outstanding as on March 31.

@ : Central Government figures for 2014-15 are actuals and for 2015-16 are provisional accounts.

@@ : State Government figures for 2015-16 pertains to the revised estimates for 26 states.

\$\$ : Data for 2014-15 onwards are provisional and pertains to budgets of 26 states out of which 3 are Vote on Account.

^ : Average of period 2005-06 to 2007-08.

^^ : Pertains to end-March 2008.

**Note** : 1. In columns 4, 5 and 6 GDP and GVA data is based on new base: 2011-12.

2. Real Effective Exchange Rate (REER) are based on CPI (combined).