

**Memorandum for constitution of the Expert Committee to Review the Extant
ECF of RBI**



**भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA**

www.rbi.org.in

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26th December 2018

MEMORANDUM

In terms of Section 47 of the Reserve Bank of India Act, 1934 (RBI Act), "After making provision for bad and doubtful debts, depreciation in assets, contributions to staff and superannuation funds (and for all other matters for which provision is to be made by or under this Act or which) are usually provided for by bankers, the balance of the profits shall be paid to the Central Government". The provisioning and surplus distribution policy of the Reserve Bank of India (RBI) is currently guided by its Economic Capital Framework. In accordance with the decision of the Central Board in its meeting held on November 19, 2018, the RBI, in consultation with the Government of India, hereby constitutes an Expert Committee to review the extant Economic Capital Framework. The composition of the Committee is as under:

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|----|--|---------------|
| 1) | Dr. Bimal Jalan
Former Governor, Reserve Bank of India | Chairman |
| 2) | Dr. Rakesh Mohan
Former Deputy Governor, Reserve Bank of India
and former Secretary, Department of Economic Affairs,
Ministry of Finance, Government of India | Vice Chairman |
| 3) | Shri Bharat Doshi
Director, Central Board, Reserve Bank of India | Member |
| 4) | Shri Sudhir Mankad
Director, Central Board, Reserve Bank of India | Member |
| 5) | Shri Subhash Chandra Garg
Secretary, Department of Economic Affairs,
Ministry of Finance, Government of India | Member |
| 6) | Shri N.S. Vishwanathan
Deputy Governor, Reserve Bank of India | Member |

The RBI will provide secretarial and logistics support to the Expert Committee for the smooth conduct of its work.



2. The terms of reference of the Committee are given below:

2.1 Keeping in consideration (i) statutory mandate under section 47 of the RBI Act that the profits of the RBI shall be transferred to the Government, after making provisions 'which are usually provided by the bankers', and (ii) public policy mandate of the RBI, including financial stability considerations, the Expert Committee would:

- (a) review status, need and justification of various provisions, reserves and buffers presently provided for by the RBI; and
- (b) review global best practices followed by the central banks in making assessment and provisions for risks which central bank balance sheets are subject to;

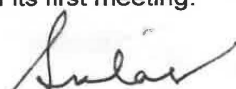
2.2 To suggest an adequate level of risk provisioning that the RBI needs to maintain;

2.3 To determine whether the RBI is holding provisions, reserves and buffers in surplus / deficit of the required level of such provisions, reserves and buffers;

2.4 To propose a suitable profits distribution policy taking into account all the likely situations of the RBI, including the situations of holding more provisions than required and the RBI holding less provisions than required;

2.5 Any other related matter including treatment of surplus reserves, created out of realised gains, if determined to be held.

3. The Expert Committee will submit its report within a period of 90 days from the date of its first meeting.


Shaktikanta Das

Governor
December 26, 2018