

Edited transcript of Governor's teleconference with media on  
Brexit

June 24, 2016

[Audio Recording of Governor's concall with media on Brexit](#)

**PARTICIPANTS FROM RBI:**

**DR. RAGHURAM G. RAJAN – GOVERNOR**

**Moderator:** Ladies and Gentlemen, Good day and Welcome to the RBI Teleconference with the Media. I now hand the conference over to Mr. Raghuram Rajan. Thank you and over to you, sir.

**Dr. Raghuram G. Rajan:** Hi, good morning. I actually have already made a couple of statements. RBI is watching the various markets and obviously there will be some volatility as a result of this decision in the United Kingdom. But we are looking at markets and are ready to intervene if we see that they become disorderly, but we are not going to prevent any market adjustment, but we are ready with ammunition if necessary. Let me stop there and see if there are any questions.

**Ira Duggal:**  
**Mint**

Governor, two questions – In the eventuality that some emergency measures are necessitated, what are the options or what are the things that the RBI has in place? For instance, would an option of a liquidity window for mutual funds be open, would an option for a dollar window for oil companies be open, or what else could be in the realm of possibility of action if required?

**Dr. Raghuram G. Rajan:** I think as of now since all the markets seem to be working, our main aim is to ensure that the markets themselves continue providing whatever is needed. But if there is disruption in markets and liquidity is not available from certain quarters, we are fully ready to provide whatever liquidity is needed.

**Ira Duggal:**  
**Mint**

Both dollar liquidity and rupee liquidity, Governor?

**Dr. Raghuram G. Rajan:** Both dollar liquidity as well as rupee liquidity.

**Ira Duggal:**  
**Mint**

Just one follow-up question, Governor. From a banking perspective, is there any assessment of what Indian banks who have operations abroad, particularly in the UK, what could be the possible impact, how do they buffer themselves? And also on FCNR, in the eventuality that volatility continues, is there an option to rollover for a short period of time the FCNR deposit, sir?

**Dr. Raghuram G. Rajan:** I think, first, as far as the Indian banks abroad go, presumably the changes in currency values does affect them based on what kinds of net exposures they have to different currencies. But broadly because there have been movements up and movements down, unless you are overly exposed to one particular currency, I do not think immediately there is a cause for worry, though of course we will monitor their balance sheet situations.

I think as far as the FCNR(B) goes, I have said repeatedly that we are prepared in terms of the outflows and of course we have been taking delivery of currency steadily over time and I think when the time comes we will have plenty of additional dollars to repay whatever deposits flow out. But I think it is really premature at this point to talk about some new rollover facility, etc. I do not think at this point this event is particularly worrisome for us and we should be able to manage it.

**Sajeet:**  
**BloombergQuint**

Governor, good morning. In the bi-monthly press conference, you did expect some kind of volatility coming in, but now that Brexit has happened, what is the duration of volatility that you foresee? Do you see that till the time a final negotiation gets completed and when clarity comes in, the rupee would be under pressure or the other currencies would be under pressure?

**Dr. Raghuram G. Rajan:** Well, look I think volatility sort of goes through every market, and just now we are seeing, for example, the DAX has slumped 10%. So I think these are all interconnected markets and naturally some concerns will spill over from one market to another. But I think at these times, it is important to remember that India is less exposed to the external sector than many other countries, that to some extent we are not a significant commodity exporter, which is going to be hurt by a significant slowdown in global growth, that we are a commodity exporter in a number of areas where we might benefit, especially if the price of oil comes down, that there are variety of reasons, the economy itself is on a stronger growth path than elsewhere. And therefore after the initial worries about the consequences of Brexit, and I am not saying that we will be in any way immune to those consequences, but I am saying that people will look around for places which are relatively less affected. And being a continental economy with large domestic demand, which hopefully will be strengthening as a consequence of the relatively good prospects for the monsoon, I think we stand out as a reasonable prospect and after the initial concerns, money should return here.

**Sajeet:**  
**BloombergQuint**

Governor, do you expect some kind of volatility in terms of external trade is concerned, till the time you have some clarity on the kind of agreements which would be signed between UK and European Union?

**Dr. Raghuram G. Rajan:** I do not think immediately there will be a significant adjustment because remember, there is a two year period over which the exit is negotiated, so immediately nothing is affected. What does get affected is investment into the UK to the extent that people see that the ease of entry into the European Union is more difficult. So those are reasons why you might see over time some frictions develop, but immediately I do not think there would be a dramatic effect on trade, other than over time through both these policy effects as well as perhaps through currency effects.

**Shobhana:**  
**Financial Express**

Governor, do we have some sense of how much unhedged exposure there is to foreign exchange on the part of corporates because if the rupee does weaken, do we see a lot of corporates getting hit?

**Dr. Raghuram G. Rajan:** First, the rupee has been relatively well-behaved compared to many other currencies, so we have not seen the 6% - 7% change that has happened in say, the Mexican Peso or to some extent the Pound. But the corporates, over time having experienced higher volatility, I think, have made two kinds of adjustments – the amount of external borrowing has come down in the last few quarters as well as I think we had seen after our early warnings about hedging, the amount of hedging had gone up. But also remember that if the loans they have taken are five-

six years in duration, the issue of repayment in a stronger currency will not arise for some time, by which time hopefully currencies re-establish into a new equilibrium which is not based on just immediate reactions.

**Govardhan:**  
**Economic Times**

Good morning, Governor. So this is also being described as yet another Black Swan event and almost like a Lehman, so how well prepared are the central banks across the world now, having exposed themselves with little scope to cut interest rates or improve liquidity. How well are they prepared to deal with this now?

**Dr. Raghuram G. Rajan:** Well, so I think immediately what central banks can do is, if there is any area of liquidity tightness, they can inject appropriate amounts of liquidity there. So I think all the central banks are going to be prepared to do that. I think the more sort of important question is, if in fact this has some adverse consequences for global growth which many are forecasting, then what more room do central banks have. And my sense is that this puts really more of the onus on authorities to ensure that there is no anticipation of copycat effects across the world, that we do not shutdown on trade, we do not shutdown on immigration, we do not shutdown on capital flows. And I think if the message from this is that the authorities across the world will pay more attention to building popular and political support for keeping an open world, I think there may be a silver lining in this event.

Thank you very much.

**Moderator:** Thank you very much. Ladies and gentlemen, with that we conclude this conference. Thank you for joining us and you may now disconnect your lines.

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