

RBI Press Release

Facilitate Customer Transactions: RBI Governor tells Banks

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India has been moving towards liberalising rules governing foreign exchange transactions with a view to keeping customer convenience in mind and subject to keeping the external sector management stable and orderly. In this context, banks and Foreign Exchange Dealers' Association of India should offer constructive suggestions to further simplify the rules to facilitate customer transactions. The message that India has changed and its external sector is strong, must be given in terms of transaction facilities to the customer at the ground level -be it an exporter or a non-resident Indian or a tourist. This was the message given by Dr. Bimal Jalan, Governor, Reserve Bank of India to chiefs of international divisions of banks and authorised dealers in foreign exchange. He was delivering the inaugural address at their annual conference organised by the Reserve Bank of India in Mumbai today.

The Reserve Bank of India arranges for an annual conference of chiefs of international divisions of banks and authorised dealers in foreign exchange. Banks and the Reserve Bank use this forum to discuss and clarify issues of mutual interest and to evolve customer friendly policies.

Placing the conference in context, the Governor stated that in the post September 11 scenario, it has been internationally accepted that safety should be the highest priority in external sector management. One must always be prepared for eventualities, he said and added that while India would continue to liberalise on capital and current accounts, it must always keep the levers in its hands to be able to contend with external shocks and resultant instability.

The Governor pointed out that while it was a matter of great satisfaction that the conditions in the financial markets the world around and in India have been extremely well-managed in the post September 11 scenario, the world economic outlook was more pessimistic than it was a few months ago. The Governor added that international agencies, including the International Monetary Fund, have, however, highlighted that China and India are the only two countries that have shown exceptional growth even in extremely volatile situations since 1997. Elaborating on the Indian response to crises in the past few years, the Governor pointed out that the Reserve Bank has assiduously followed the policy of building up reserves and having less short-term liabilities in management of its external sector.

Earlier, Shri Vepa Kamesam, Deputy Governor appealed to authorised dealers to endeavour to bridge the gap between the policies that aim at bringing in simplified procedures and the practice followed by bankers at the ground level. He stressed that the authorised dealers should familiarise their branch level officials of the policies so that the customers get the benefit of the liberalised policies. Dissemination of information at the branch level is very crucial in achieving this, he pointed out.

Smt. K. J. Udeshi, Executive Director, in her welcome remark, clarified that the Reserve Bank constantly reviewed its policies relating to foreign exchange management so as to simplify

procedures to give more operational flexibility to banks. Unless banks implemented these policies in their spirit, they would not translate into better customer service, she pointed out the urged banks to implement the policies relating to foreign exchange management in their spirit as enshrined in the Foreign Exchange Management Act.