

## *Press Releases*

### RBI's Technical Advisory Committee on Monetary Policy

**April 2, 2007**

With a view to strengthening the consultative process in monetary policy, the Reserve Bank had constituted a Technical Advisory Committee on Monetary Policy on July 8, 2005. The tenure of the Committee was up to January 31, 2007. The Reserve Bank of India has now reconstituted the Technical Advisory Committee on Monetary Policy with a view to obtaining continued benefit of expert opinion from external experts in the areas of monetary economics, central banking, financial markets and public finance.

The composition of the reconstituted Committee is :

**Chairman** : Dr.Y.V. Reddy, Governor, Reserve Bank of India.

**Vice-Chairman** : Dr. Rakesh Mohan, Deputy Governor-in-Charge, Monetary Policy Department.

**Members** : Shri V. Leeladhar, Deputy Governor, Smt. S. Gopinath, Deputy Governor, Smt. U. Thorat, Deputy Governor.

**Two Members of the Committee of the Central Board (CCB)** : Shri Y.H. Malegam, Member, Dr. A.S. Ganguly, Member

**External Members** : Prof. D.M. Nachane, Indira Gandhi Institute for Development & Research (IGIDR); Dr. R.H. Patil, Chairman, Clearing Corporation of India Ltd. (CCIL); Shri S.S. Tarapore, Former Deputy Governor, Reserve Bank of India; Dr. Shankar Acharya, Hon. Professor, Indian Council for Research on International Economic Relations (ICRIER); Shri Suman

Bery, Director General, National Council of Applied Economic Research (NCAER)

**In Attendance** : Adviser-in-Charge, Monetary Policy Department (MPD), Reserve Bank of India; Adviser, Department of Economic Analysis and Policy (DEAP), Reserve Bank of India.

Monetary Policy Department would be the secretariat to the Committee.

The terms of reference of the Committee are:

- i) to review macroeconomic and monetary developments, and
- ii) to advise on the stance of monetary policy.

The Committee would meet at least once in a quarter.

The tenure of the Committee would be for two years, *i.e.*, up to January 31, 2009.

## Reserve Bank of India (Amendment) Act, 2006: Provisions Relating to CRR

### April 13, 2007

The Government of India has notified Section 3 of the Reserve Bank of India (Amendment) Act, 2006 (Act 26 of 2006) and has appointed the first day of April 2007 as the date on which the provisions of Section 3 of the said Act shall come into force.

Section 3 the Reserve Bank of India (Amendment) Act, 2006 provides for the removal of:

- [by amendment of sub-Section 42(1A) of the Reserve Bank of India Act, 1934] the ceiling and floor on the cash reserve ratio (CRR) to be prescribed by the

Reserve Bank for scheduled banks having regard to the need for securing monetary stability in the country; and

- [by omission of sub-Section 42(1B) of the Reserve Bank of India Act, 1934] the provisions for interest payment on eligible CRR balances (*i.e.*, the amount of reserves between the statutory minimum CRR and the CRR prescribed by the Reserve Bank).

The Reserve Bank has decided to maintain *status quo* in the areas where it is required to take action in pursuance of the notification. Accordingly,

- Scheduled banks would be required to maintain cash reserve ratio of 6.0 per cent of net demand and time liabilities (NDTL) during the fortnight ending April 13, 2007, 6.25 per cent of NDTL from the fortnight beginning April 14, 2007 and 6.5 per cent of NDTL from the fortnight beginning April 28, 2007 on an average daily basis as indicated in the Reserve Bank's press release of March 30, 2007 and the related notifications and circulars.
- For the basis of CRR for a reporting fortnight, the NDTL would relate to the reporting Friday of the second preceding fortnight, as hitherto.
- Banks are required to maintain a minimum of 70 per cent of the required amount of average daily CRR for a fortnight, on a daily basis during the fortnight, as at present.
- It has been decided to continue with the *status quo* on the extant CRR exemptions which will be operative till further change.
- Pursuant to the amendment, the erstwhile statutory minimum CRR

maintenance requirement of 3 per cent no longer exists.

- Consistent with the amendment, no interest will be payable on CRR balances of banks with effect from the fortnight beginning March 31, 2007.

Appropriate notifications are being issued separately.

### Market Stabilisation Scheme: Revision of Ceiling

**April 27, 2007**

The Government of India, in consultation with the Reserve Bank, has

further revised the ceiling for the outstandings under the Market Stabilisation Scheme (MSS) for the year 2007-08 to Rs.1,10,000 crore. The threshold at which the ceiling will be reviewed in future will now be Rs.95,000 crore. The MSS outstandings currently stand at Rs.78,000 crore.

The Reserve Bank, under the existing arrangements, subject to variations in liquidity, announces every Friday the auctions under the MSS, covering the Treasury Bills and dated securities, if any, for the succeeding week. These arrangements would continue until further notice.