

**RESERVE BANK OF INDIA  
CENTRAL OFFICE  
MUMBAI**

**MEMORANDUM**

Committee to set out the roadmap towards Fuller Capital Account Convertibility

Economic reforms in India have accelerated growth, enhanced stability and strengthened both external and financial sectors. Our trade as well as financial sector is already considerably integrated with the global economy. India's cautious approach towards opening of the capital account and viewing capital account liberalisation as a process contingent upon certain preconditions has stood us in good stead. However, given the changes that have taken place over the last two decades, there is merit in moving towards fuller capital account convertibility within a transparent framework. There is a need to revisit the subject and come out with a roadmap towards fuller Capital Account Convertibility based on current realities. Therefore, in consultation with the Government of India, Reserve Bank of India has appointed a Committee to set out the framework for Fuller Capital Account Convertibility. The Committee consists of the following:

- |      |                      |          |
|------|----------------------|----------|
| i)   | Shri S.S. Tarapore   | Chairman |
| ii)  | Dr. Surjit S. Bhalla | Member   |
| iii) | Shri M.G. Bhide      | Member   |
| iv)  | Dr. R.H. Patil       | Member   |
| v)   | Shri A.V. Rajwade    | Member   |
| vi)  | Dr. Ajit Ranade      | Member   |

2. The terms of reference of the Committee will be as follows:

- (i) To review the experience of various measures of capital account liberalisation in India,
- (ii) To examine implications of fuller capital account convertibility on monetary and exchange rate management, financial markets and financial system,
- (iii) To study the implications of dollarisation in India, of domestic assets and liabilities and internationalisation of the Indian rupee,
- (iv) To provide a comprehensive medium-term operational framework, with sequencing and timing, for fuller capital account convertibility taking into account the above implications and progress in revenue and fiscal deficit of both centre and states,

- (v) To survey regulatory framework in countries which have advanced towards fuller capital account convertibility,
- (vi) To suggest appropriate policy measures and prudential safeguards to ensure monetary and financial stability, and
- (vii) To make such other recommendations as the Committee may deem relevant to the subject.

3. Technical work is being initiated in the Reserve Bank of India. The Committee will commence its work from May 1, 2006 and it is expected to submit its report by July 31, 2006.

4. The Committee will adopt its own procedures and meet as often as necessary.

5. The Secretariat for the Committee will be provided by the Reserve Bank of India.

Sd/-  
(Y.V. Reddy)  
Governor  
March 20, 2006