

## XII

# THE RESERVE BANK'S ACCOUNTS FOR 2019-20

*The balance sheet size of the Reserve Bank increased by 30.02 per cent as on June 30, 2020. The gross total income for the year 2019-20 amounted to ₹1,496.72 billion as compared to ₹1,930.36 billion in 2018-19. The previous year's income included a write back of excess provision from Contingency Fund amounting to ₹526.37 billion. A comparison excluding the same from previous year's income, shows a marginal increase in the income for 2019-20. The expenditure of the Reserve Bank for the year 2019-20 is ₹925.40 billion which includes a risk provision of ₹736.15 billion towards Contingency Fund as compared to an expenditure of ₹170.45 billion in 2018-19. The year ended with an overall surplus of ₹571.28 billion.*

XII.1 The balance sheet of the Reserve Bank plays a critical role in the functioning of the country's economy largely reflecting the activities carried out in pursuance of its currency issue function as well as monetary policy and reserve management objectives. The key financial results of the Reserve Bank's operations during the year 2019-20 (July - June) are set out in the following paragraphs.

XII.2 The balance sheet increased by ₹12,318.88 billion, *i.e.*, 30.02 per cent from ₹41,029.05 billion as on June 30, 2019 to ₹53,347.93 billion as on June 30, 2020. The increase on the asset side was due to increase in domestic and foreign investments by 18.40 per cent and 27.28 per cent, respectively, increase in loans and advances by 245.76 per cent and

increase in gold by 52.85 per cent. On the liability side, the increase was due to increase in Notes issued, Other Liabilities and Provisions, and Deposits by 21.52 per cent, 30.47 per cent and 53.72 per cent, respectively. Domestic assets constituted 28.75 per cent while the foreign currency assets and gold (including gold deposit and gold held in India) constituted 71.25 per cent of total assets as on June 30, 2020 as against 28.03 per cent and 71.97 per cent, respectively as on June 30, 2019.

XII.3 A provision of ₹736.15 billion was made and transferred to Contingency Fund (CF). No provision was made towards Asset Development Fund (ADF). The trends in income, expenditure, net disposable income and the surplus transferred to the central government are given in Table XII.1.

**Table XII.1: Trends in Income, Expenditure and Net Disposable Income**

(₹ billion)

Item	2015-16	2016-17	2017-18	2018-19	2019-20
1	2	3	4	5	6
a) Income	808.70	618.18	782.81	1,930.36	1,496.72
b) Total Expenditure <sup>@</sup>	149.90 <sup>#</sup>	311.55 <sup>^</sup>	282.77 <sup>&amp;</sup>	170.45 <sup>*</sup>	925.40 <sup>**</sup>
c) Net Disposable Income (a-b)	658.80	306.63	500.04	1,759.91	571.32
d) Transfer to Funds <sup>@@</sup>	0.04	0.04	0.04	0.04	0.04
e) Surplus Transferred to the Central Government (c-d)	658.76	306.59	500.00	1,759.87	571.28

@ : Includes provision towards CF and ADF.

# : Includes a provision of ₹ 10 billion towards additional capital contribution in BRBNMPL.

^ : Includes a provision of ₹ 0.50 billion towards additional capital contribution in the Reserve Bank's subsidiary ReBIT and a provision of ₹ 131.40 billion towards transfer to CF.

& : Includes a provision of ₹ 141.90 billion towards transfer to CF.

\* : Includes a provision of ₹ 0.64 billion towards transfer to ADF.

\*\* : Includes a provision of ₹ 736.15 billion towards transfer to CF.

@@ : An amount of ₹ 0.01 billion each has been transferred to the National Industrial Credit (Long Term Operations) Fund, the National Rural Credit (Long Term Operations) Fund, the National Rural Credit (Stabilisation) Fund and the National Housing Credit (Long Term Operations) Fund, during each of the five years.

XII.4 The Independent Auditors' Report, the Balance Sheet and the Income Statement for the year 2019-20 along with the schedules, statement

of Significant Accounting Policies and supporting Notes to Accounts are as follows:

## INDEPENDENT AUDITORS' REPORT

To  
The President of India

### Report on Audit of Financial Statements

#### Opinion

We, the undersigned Auditors of the Reserve Bank of India (hereinafter referred to as the "Bank"), do hereby report to the Central Government upon the Balance Sheet of the Bank as on June 30, 2020 and the Income Statement for the year ended on that date (hereinafter referred to as "financial statements"), which have been audited by us.

In our opinion and to the best of our information and according to explanations given to us and as shown by the books of account of the Bank, the Balance Sheet read with Significant Accounting Policies is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up in accordance with the requirements of the provisions of the Reserve Bank of India Act, 1934 and Regulations framed thereunder so as to exhibit true and correct view of the state of affairs of the Bank as on June 30, 2020 and its results of operations for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the financial statements.

#### Information Other than the Financial Statements and Auditor's Report Thereon

The Management is responsible for the other information. The other information comprises the information included in the Notes to the accounts, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank's Management and Those Charged with Governance for the Financial Statements are responsible for the preparation of these financial statements that give a true and correct view of the state of affairs and results of operations of the Bank in accordance with the requirements of the provisions of the Reserve Bank of India Act, 1934 and Regulations framed thereunder and the accounting policies and practices followed by the Bank. This responsibility also includes maintenance of adequate accounting records and preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent and the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and correct view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are also responsible for overseeing the Bank's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal financial control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### Other Matters

The audit of the financial statements of the Bank for the year ended June 30, 2019, was carried out and reported jointly by M/s Chhajer & Doshi and M/s G. P. Kapadia & Co., Chartered Accountants, vide their unmodified audit report dated August 26, 2019, whose report has been furnished to us by the management and which has been relied upon by us for the purpose of our audit of the financial information. Our opinion is not modified in respect of this matter.

We report that we have called for information and explanations from the Bank considered necessary for the purpose of our audit and such information and explanations have been given to our satisfaction.

We also report that the financial statements include the accounts of twenty-two accounting units of the Bank which have been audited by Statutory Branch Auditors and we have relied on their report in this regard.

For Prakash Chandra Jain & Co.  
Chartered Accountants  
(ICAI Firm Registration  
No. 002438C)

For Haribhakti & Co., LLP  
Chartered Accountants  
(ICAI Firm Registration  
No. 103523W/ W100048)

Pratibha Sharma  
Partner  
Membership No. 400755  
UDIN: 20400755AAAABU3505

Hemant J. Bhatt  
Partner  
Membership No.036834  
UDIN: 20036834AAAAB7640

Place: Mumbai  
Date: August 14, 2020

**RESERVE BANK OF INDIA  
BALANCE SHEET AS ON JUNE 30, 2020**

(Amount in ₹ billion)

Liabilities	Schedule	2018-19	2019-20	Assets	Schedule	2018-19	2019-20
Capital		0.05	0.05	<b>Assets of Banking Department (BD)</b>			
Reserve Fund		65.00	65.00	Notes, Rupee Coin, Small Coin	5	0.09	0.13
Other Reserves	1	2.30	2.32	Gold Coin and Bullion	6	882.98	1,428.75
Deposits	2	7,649.22	11,758.60	Investments-Foreign-BD	7	6,964.53	10,234.00
Other Liabilities and Provisions	3	11,624.51	15,166.21	Investments-Domestic-BD	8	9,898.77	11,720.27
				Bills Purchased and Discounted		0.00	0.00
				Loans and Advances	9	931.87	3,222.07
				Investment in Subsidiaries	10	19.64	19.64
				Other Assets	11	643.20	367.32
<b>Liabilities of Issue Department</b>				<b>Assets of Issue Department (ID)</b>			
Notes Issued	4	21,687.97	26,355.75	Gold Coin and Bullion (as backing for Note issue)	6	792.04	1,131.46
				Rupee Coin		8.28	7.85
				Investment-Foreign-ID	7	20,887.65	25,216.44
				Investment-Domestic-ID	8	0.00	0.00
				Domestic Bills of Exchange and other Commercial Papers		0.00	0.00
<b>Total Liabilities</b>		<b>41,029.05</b>	<b>53,347.93</b>	<b>Total Assets</b>		<b>41,029.05</b>	<b>53,347.93</b>

Nirmal Chand  
Chief General Manager-in-Charge

M. D. Patra  
Deputy Governor

M. K. Jain  
Deputy Governor

B.P. Kanungo  
Deputy Governor

Shaktikanta Das  
Governor

**RESERVE BANK OF INDIA  
INCOME STATEMENT FOR THE YEAR ENDED JUNE 2020**

(Amount in ₹ billion)

<b>INCOME</b>	<b>Schedule</b>	<b>2018-19</b>	<b>2019-20</b>
Interest	12	1,068.37	1,093.33
Other income	13	861.99	403.39
<b>Total</b>		<b>1,930.36</b>	<b>1,496.72</b>
<b>EXPENDITURE</b>			
Printing of Notes		48.11	43.78
Expenditure on Remittance of Currency		0.88	0.87
Agency Charges	14	39.10	38.76
Employee Cost		68.51	89.28
Interest		0.01	0.01
Postage and Telecommunication Charges		1.03	1.17
Printing and Stationery		0.22	0.20
Rent, Taxes, Insurance, Lighting, etc.		1.26	1.36
Repairs and Maintenance		0.98	0.88
Directors' and Local Board Members' Fees and Expenses		0.02	0.02
Auditors' Fees and Expenses		0.05	0.06
Law Charges		0.17	0.09
Miscellaneous Expenses		7.97	10.71
Depreciation		1.50	2.06
Provisions		0.64	736.15
<b>Total</b>		<b>170.45</b>	<b>925.40</b>
<b>Available Balance</b>		<b>1,759.91</b>	<b>571.32</b>
Less:			
<b>(a) Contribution to:</b>			
i) National Industrial Credit (Long Term Operations) Fund		0.01	0.01
ii) National Housing Credit (Long Term Operations) Fund		0.01	0.01
<b>(b) Transferable to NABARD:</b>			
i) National Rural Credit (Long Term Operations) Fund <sup>1</sup>		0.01	0.01
ii) National Rural Credit (Stabilisation) Fund <sup>1</sup>		0.01	0.01
<b>(c) Others</b>			
Amount transferred to the Central Government during the year		280.00	0.00
<b>Surplus payable to the Central Government</b>		<b>1,479.87</b>	<b>571.28</b>

1. These funds are maintained by the National Bank for Agriculture and Rural Development (NABARD).

Nirmal Chand  
Chief General Manager-in-Charge

M. D. Patra  
Deputy Governor

M. K. Jain  
Deputy Governor

B.P. Kanungo  
Deputy Governor

Shaktikanta Das  
Governor

## SCHEDULES FORMING PART OF BALANCE SHEET AND INCOME STATEMENT

(Amount in ₹ billion)

		2018-19	2019-20	
<b>Schedule 1:</b>	<b>Other Reserves</b>			
	(i) National Industrial Credit (Long Term Operations) Fund	0.28	0.29	
	(ii) National Housing Credit (Long Term Operations) Fund	2.02	2.03	
	<b>Total</b>	<b>2.30</b>	<b>2.32</b>	
<b>Schedule 2:</b>	<b>Deposits</b>			
	<b>(a) Government</b>			
	(i) Central Government	1.01	1.00	
	(ii) State Governments	0.42	0.43	
		<b>Sub total</b>	<b>1.43</b>	<b>1.43</b>
	<b>(b) Banks</b>			
	(i) Scheduled Commercial Banks	5,129.26	4,376.17	
	(ii) Scheduled State Co-operative Banks	39.98	52.08	
	(iii) Other Scheduled Co-operative Banks	90.29	71.38	
	(iv) Non-Scheduled State Co-operative Banks	24.91	24.72	
	(v) Other Banks	209.64	184.14	
		<b>Sub total</b>	<b>5,494.08</b>	<b>4,708.49</b>
	<b>(c) Financial Institutions outside India</b>			
	(i) Repo borrowing - Foreign	0.00	0.00	
	(ii) Reverse Repo Margin - Foreign	0.00	0.00	
		<b>Sub total</b>	<b>0.00</b>	<b>0.00</b>
	<b>(d) Others</b>			
	(i) Administrators of RBI Employee PF A/c	46.38	45.49	
	(ii) Depositors' Education and Awareness Fund	257.47	331.14	
	(iii) Balances of Foreign Central Banks	19.05	16.80	
	(iv) Balances of Indian Financial Institutions	2.13	23.47	
(v) Balances of International Financial Institutions	3.38	3.52		
(vi) Mutual Funds	0.01	0.01		
(vii) Others	1,825.29	6,628.25		
	<b>Sub total</b>	<b>2,153.71</b>	<b>7,048.68</b>	
	<b>Total</b>	<b>7,649.22</b>	<b>11,758.60</b>	
<b>Schedule 3:</b>	<b>Other Liabilities and Provisions</b>			
	(i) Contingency Fund (CF)	1,963.44	2,640.34	
	(ii) Asset Development Fund (ADF)	228.75	228.75	
	(iii) Currency and Gold Revaluation Account (CGRA)	6,644.80	9,771.41	
	(iv) Investment Revaluation Account-Foreign Securities (IRA-FS)	157.35	538.34	
	(v) Investment Revaluation Account-Rupee Securities (IRA-RS)	494.76	934.15	
	(vi) Foreign Exchange Forward Contracts Valuation Account (FCVA)	13.04	0.00	
	(vii) Provision for Forward Contracts Valuation Account (PFCVA)	0.00	59.25	
	(viii) Provision for Payables	22.81	26.00	
	(ix) Gratuity and Superannuation Fund	206.10	256.39	
	(x) Surplus Payable to the Central Government	1,759.87	571.28	
	(xi) Bills Payable	0.08	0.02	
	(xii) Miscellaneous	133.51	140.28	
	<b>Total</b>	<b>11,624.51</b>	<b>15,166.21</b>	
<b>Schedule 4:</b>	<b>Notes Issued</b>			
	(i) Notes held in the Banking Department	0.09	0.13	
	(ii) Notes in Circulation	21,687.88	26,355.62	
	<b>Total</b>	<b>21,687.97</b>	<b>26,355.75</b>	

THE RESERVE BANK'S ACCOUNTS FOR 2019-20

		2018-19	2019-20
<b>Schedule 5:</b>	<b>Notes, Rupee Coin, Small Coin</b>		
	(i) Notes	0.09	0.13
	(ii) Rupee Coin	0.00	0.00
	(iii) Small Coin	0.00	0.00
	<b>Total</b>	<b>0.09</b>	<b>0.13</b>
<b>Schedule 6:</b>	<b>Gold Coin and Bullion</b>		
	<b>(a) Banking Department</b>		
	(i) Gold Coin and Bullion	882.98	1,393.77
	(ii) Gold Deposit	0.00	34.98
	<b>Sub Total</b>	<b>882.98</b>	<b>1,428.75</b>
	<b>(b) Issue Department (as backing for Note issue)</b>	792.04	1,131.46
	<b>Total</b>	<b>1,675.02</b>	<b>2,560.21</b>
<b>Schedule 7:</b>	<b>Investments - Foreign</b>		
	(i) Investments - Foreign - BD	6,964.53	10,234.00
	(ii) Investments - Foreign - ID	20,887.65	25,216.44
	<b>Total</b>	<b>27,852.18</b>	<b>35,450.44</b>
<b>Schedule 8:</b>	<b>Investments - Domestic</b>		
	(i) Investments - Domestic - BD	9,898.77	11,720.27
	(ii) Investments - Domestic - ID	0.00	0.00
	<b>Total</b>	<b>9,898.77</b>	<b>11,720.27</b>
<b>Schedule 9:</b>	<b>Loans and Advances</b>		
	<b>(a) Loans and Advances to :</b>		
	(i) Central Government	265.31	0.00
	(ii) State Governments	26.66	46.24
	<b>Sub total</b>	<b>291.97</b>	<b>46.24</b>
	<b>(b) Loans and Advances to:</b>		
	(i) Scheduled Commercial Banks	572.00	2,855.77
	(ii) Scheduled State Co-operative Banks	0.00	0.00
	(iii) Other Scheduled Co-operative Banks	0.00	0.00
	(iv) Non-Scheduled State Co-operative Banks	0.00	0.00
	(v) NABARD	0.00	221.23
	(vi) Others	67.90	98.83
	<b>Sub total</b>	<b>639.90</b>	<b>3,175.83</b>
	<b>(c) Loans and Advances to Financial Institutions outside India:</b>		
(i) Repo Lending - Foreign	0.00	0.00	
(ii) Repo Margin - Foreign	0.00	0.00	
<b>Sub total</b>	<b>0.00</b>	<b>0.00</b>	
	<b>Total</b>	<b>931.87</b>	<b>3,222.07</b>
<b>Schedule 10:</b>	<b>Investment in Subsidiaries/Associates</b>		
	(i) Deposit Insurance and Credit Guarantee Corporation(DICGC)	0.50	0.50
	(ii) Bharatiya Reserve Bank Note Mudran (P) Ltd.(BRBNMPL)	18.00	18.00
	(iii) Reserve Bank Information Technology (P) Ltd.(ReBIT)	0.50	0.50
	(iv) National Centre for Financial Education (NCFE)	0.30	0.30
	(v) Indian Financial Technology & Allied Services (IFTAS)	0.34	0.34
	<b>Total</b>	<b>19.64</b>	<b>19.64</b>



		2018-19	2019-20	
<b>Schedule 11:</b>	<b>Other Assets</b>			
	(i) Fixed Assets (net of accumulated depreciation)	6.51	8.16	
	(ii) Accrued income (a + b)	330.81	345.35	
	<i>a. on loans to employees</i>	3.27	3.47	
	<i>b. on other items</i>	327.54	341.88	
	(iii) Swap Amortisation Account (SAA)	0.00	0.00	
	(iv) Revaluation of Forward Contracts Account (RFCA)	13.04	0.00	
(v) Miscellaneous	292.84	13.81		
	<b>Total</b>	<b>643.20</b>	<b>367.32</b>	
<b>Schedule 12:</b>	<b>Interest</b>			
	(a) <b>Domestic Sources</b>			
	(i) Interest on holding of Rupee Securities	583.43	703.04	
	(ii) Net Interest on LAF Operations	10.46	-130.53	
	(iii) Interest on MSF Operations	1.35	1.49	
	(iv) Interest on Loans and Advances	14.98	35.57	
		<b>Sub total</b>	<b>610.22</b>	<b>609.57</b>
	(b) <b>Foreign Sources</b>			
	(i) Interest Income from Foreign Securities	278.11	330.25	
	(ii) Net Interest on Repo / Reverse Repo Transactions	-0.04	0.09	
	(iii) Interest on Deposits	180.08	153.42	
		<b>Sub total</b>	<b>458.15</b>	<b>483.76</b>
		<b>Total</b>	<b>1,068.37</b>	<b>1,093.33</b>
<b>Schedule 13:</b>	<b>Other Income</b>			
	(a) <b>Domestic Sources</b>			
	(i) Exchange	0.00	0.00	
	(ii) Discount	0.00	7.35	
	(iii) Commission	22.72	24.31	
	(iv) Rent Realised	0.07	0.09	
	(v) Profit/Loss on sale and redemption of Rupee Securities	0.40	12.52	
	(vi) Depreciation on Rupee Securities inter portfolio transfer	-0.27	-0.09	
	(vii) Amortisation of premium/discount of Rupee Securities	21.45	16.81	
	(viii) Profit / Loss on sale of Bank's property	0.01	0.01	
	(ix) Provision no longer required and Miscellaneous Income	526.18	2.49	
		<b>Sub total</b>	<b>570.56</b>	<b>63.49</b>
	(b) <b>Foreign Sources</b>			
	(i) Amortisation of premium/discount of Foreign Securities	-15.31	-27.42	
	(ii) Profit/Loss on sale and redemption of Foreign Securities	16.76	67.39	
(iii) Exchange gain/loss from Foreign Exchange transactions	289.98	299.93		
	<b>Sub total</b>	<b>291.43</b>	<b>339.90</b>	
	<b>Total</b>	<b>861.99</b>	<b>403.39</b>	
<b>Schedule 14:</b>	<b>Agency Charges</b>			
	(i) Agency Commission on Government Transactions	38.17	37.88	
	(ii) Underwriting Commission paid to the Primary Dealers	0.74	0.61	
	(iii) Sundries (Handling charges and turnover commission paid to banks for Relief / Savings Bonds subscriptions; SBLA <i>etc.</i> )	0.02	0.06	
	(iv) Fees paid to the External Asset Managers, Custodians, <i>etc.</i>	0.17	0.21	
	<b>Total</b>	<b>39.10</b>	<b>38.76</b>	

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED JUNE 30, 2020

### (a) General

1.1 Among other things, the Reserve Bank of India was established under the Reserve Bank of India Act, 1934 (the Act) "to regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage".

1.2 The main functions of the Bank are:-

- a) Issue of bank notes and coins.
- b) Acts as monetary authority and formulates, implements and monitors the monetary policy.
- c) Regulation and supervision of the financial system.
- d) Regulation and supervision of the payment and settlement systems.
- e) Acts as manager of foreign exchange.
- f) Maintaining and managing the country's foreign exchange reserves.
- g) Acting as the banker to banks and the governments.
- h) Acting as the debt manager of the governments.
- i) Developmental functions to support national objectives.

1.3 The Act requires that the issue of Bank notes should be conducted by the Reserve Bank in an Issue Department which shall be separate and kept wholly distinct from the Banking Department and the assets of the Issue Department shall not

be subject to any liability other than the liabilities of the Issue Department. The Act requires that the assets of the Issue Department shall consist of gold coins, gold bullion, foreign securities, rupee coins and rupee securities to such aggregate amount as is not less than the total of the liabilities of the Issue Department. The Act requires that the liabilities of the Issue Department shall be an amount equal to the total of the amount of the currency notes of the Government of India and Bank notes for the time being in circulation.

### (b) Significant Accounting Policies

#### 2.1 Convention

The financial statements are prepared in accordance with the Reserve Bank of India Act, 1934 and the notifications issued thereunder and in the form prescribed by the Reserve Bank of India General Regulations, 1949. These are based on historical cost except where it is modified to reflect revaluation. The accounting policies followed in preparing the financial statements are consistent with those followed in the previous year except for the change in the valuation frequency for foreign securities and gold. The said valuation frequency has been changed from 'monthly' to 'weekly and monthly' during the year.

#### 2.2 Revenue Recognition

- (a) Income and expenditure are recognised on accrual basis except penal interest charged from the banks which is accounted for only when there is certainty of realisation. Dividend income on shares is recognised on accrual basis when the right to receive the same is established.
- (b) Balances unclaimed and outstanding for more than three clear consecutive accounting

years in certain transit accounts including Drafts Payable Account, Payment Orders Account, Sundry Deposits Account-Miscellaneous, Remittance Clearance Account, Earnest Money Deposit Account and Security Deposit Account are reviewed and written back to income. Claims, if any, are considered and charged against income in the year of payment.

- (c) Income and expenditure in foreign currency are recorded at the exchange rates prevailing on the last business day of the week/ month/ year, as applicable.
- (d) Exchange gains / losses on sale of foreign currencies and gold are accounted for using the weighted average cost method for arriving at the cost.

### **2.3 Gold & Foreign Currency Assets and Liabilities**

Transactions in gold and foreign currency assets and liabilities are accounted for on settlement date basis.

#### **a) Gold**

Gold (including gold deposits) is revalued on the last business day of each week and month at ninety (90) per cent of the London Bullion Market Association (LBMA) gold price in US dollar and Rupee-US dollar market exchange rate on the valuation days. Unrealised valuation gains/ losses are accounted for in the Currency and Gold Revaluation Account (CGRA).

#### **b) Foreign Currency Assets and Liabilities**

All foreign currency assets and liabilities (excluding foreign currency received under the swaps that are in the nature of repos and

contracts where the rates are fixed contractually) are translated at the market exchange rates on the last business day of each week and month. Unrealised gains and losses arising from such translation of foreign currency assets and liabilities are accounted for in the CGRA.

Foreign securities, other than Treasury Bills (T-Bills), Commercial Papers and certain "held to maturity" securities (such as investments in notes issued by the International Monetary Fund and bonds issued by India Infrastructure Finance Company (IIFC), UK which are valued at cost) are marked-to-market as on the last business day of each week and month. Unrealised gains/ losses on revaluation are recorded in the 'Investment Revaluation Account- Foreign Securities' (IRA-FS). Credit balance in IRA-FS is carried forward to the subsequent year. Debit balance, if any, at the end of the year in IRA-FS is charged to the CF and the same is reversed on the first working day of the following accounting year.

Foreign T-Bills and commercial papers are carried at cost as adjusted by amortisation of discount/ premium. Premium or discount on foreign securities is amortised daily. Profit/ loss on sale of foreign securities is recognised with respect to the book value. On sale/ redemption of foreign dated securities, valuation gain/ loss in relation to the securities sold/ redeemed, lying in IRA-FS, is transferred to Income Account.

#### **c) Forward/Swap Contracts**

Forward contracts entered into by the Reserve Bank are revalued on a half yearly

basis. While marked-to-market net gain is credited to the 'Foreign Exchange Forward Contracts Valuation Account' (FCVA) with contra debit to 'Revaluation of Forward Contracts Account' (RFCA), marked-to-market net loss is debited to FCVA with contra credit to the 'Provision for Forward Contracts Valuation Account' (PFCVA). On maturity of the contract, the actual gain or loss is recognised in the Income Account and the unrealised gains/ losses previously recorded in the FCVA, RFCA and PFCVA are reversed. At the time of half yearly revaluation, the balance in FCVA and RFCA or PFCVA as on that day is reversed and fresh revaluation is done for all the outstanding forward contracts.

Debit balance in FCVA, if any, on June 30, is charged to the CF and reversed on the first working day of the following year. The balance in the RFCA and PFCVA represents the net unrealised gains and losses, respectively, on valuation of the forward contracts.

In the case of swaps at off-market rates that are in the nature of repo, the difference between the future contract rate and the rate at which the contract is entered into is amortised over the period of the contract and recorded in the income account with contra in 'Swap Amortisation Account' (SAA). The amounts recorded in the SAA are reversed on maturity of the underlying contracts. Further, the amounts received under these swaps are not subject to periodic revaluation.

While FCVA and PFCVA form part of 'Other Liabilities', RFCA and SAA form part of 'Other Assets'.

## 2.4 Transactions in Exchange Traded Currency Derivatives (ETCD)

The ETCD transactions undertaken by the Reserve Bank as part of its intervention operations are marked-to-market on daily basis and the resultant gain/ loss is booked in income account.

## 2.5 Domestic Investments

- (a) Rupee securities and oil bonds except those mentioned in (d) are marked-to-market as on the last business day of each month. The unrealised gains/ losses on revaluation is accounted for in 'Investment Revaluation Account-Rupee Securities' (IRA-RS). Credit balance in IRA-RS is carried forward to the following accounting year. Debit balance, if any, at the end of the year in IRA-RS is charged to the CF and the same is reversed on the first working day of the following accounting year. On sale/ redemption of rupee securities/ oil bonds, valuation gain/ loss in respect of rupee securities and oil bonds sold/ redeemed, lying in IRA-RS, is transferred to income account. Rupee securities and oil bonds are also subjected to daily amortisation.
- (b) T-Bills are valued at cost.
- (c) Investments in shares of subsidiaries are valued at cost.
- (d) Oil bonds and rupee securities earmarked for various staff funds (like Gratuity and Superannuation, Provident Fund, Leave Encashment, Medical Assistance Fund) and Depositors' Education and Awareness Fund (DEA Fund) are treated as 'Held-to-Maturity' and are held at amortised cost.
- (e) Transactions in domestic investment are accounted for on settlement date basis.

## 2.6 Liquidity Adjustment Facility (LAF) Repo/ Reverse Repo and Marginal Standing Facility (MSF)

Repo transactions under LAF and MSF are treated as lending and are accordingly being shown under 'Loans and Advances', whereas Reverse Repo transactions under LAF are being treated as deposits and shown under 'Deposit-Others'.

## 2.7 Fixed Assets

- (a) Fixed Assets are stated at cost less depreciation except art and paintings and freehold land which are held at cost.
- (b) Depreciation on Fixed Assets, other than land and buildings, acquired and capitalised during the year (July 01 to June 30) would be reckoned on a monthly pro-rata basis from the month of capitalisation and effected on a half yearly basis at prescribed rates depending upon the useful life of the assets applied.
- (c) Depreciation on the following fixed assets (costing more than ₹0.10 million) is provided on a straight-line basis depending on the useful life of an asset in the following manner:

Asset Category	Useful life (Rate of Depreciation)
Electrical installations, UPS, Motor Vehicles, Furniture, Fixture, CVPS/ SBS Machines, etc.	5 years (20 per cent)
Computers, Servers, Micro-processors, Printers, Software, Laptops, e-book reader/ i-Pad, etc.	3 years (33.33 per cent)

- (d) Fixed Assets, costing up to ₹0.10 million (except easily portable electronic assets like Laptop/ e-book reader) are charged to income in the year of acquisition. Easily portable electronic assets, such as laptops, etc. costing more than ₹10,000 are capitalised

and depreciation is calculated on monthly pro-rata basis at the applicable rate.

- (e) Individual items of computer software costing ₹0.10 million and above are capitalised and depreciation is calculated on monthly pro-rata basis at applicable rates.
- (f) Depreciation is provided on half year-end balances of Fixed Assets on monthly pro-rata basis. In case of additions /deletions of assets other than land and building, depreciation is provided for on monthly pro-rata basis including the month of addition/deletion of such assets.
- (g) Depreciation on subsequent expenditure:
- Subsequent expenditure incurred on an existing fixed asset which has not been fully depreciated in the books of accounts, is depreciated over the remaining useful life of the principal asset; and
  - Subsequent expenditure incurred on modernisation/ addition/ overhauling of an existing fixed asset, which has already been fully depreciated in the books of accounts, is first capitalised and thereafter depreciated fully in the year in which the expenditure is incurred.

- (h) Land and building: The accounting treatment in respect of land and building is as follows:

### Land

- Land acquired on leasehold basis for a period of more than 99 years is treated as if it is on a perpetual lease basis. Such leases are considered as freehold properties and accordingly not subjected to amortisation.

- ii. Land acquired on lease up to 99 years is amortised over the period of the lease.
- iii. Land acquired on a freehold basis is not subject to any amortisation.

#### *Buildings*

- i. The life of all buildings is assumed as thirty years and depreciation is charged on a 'straight-line' basis over a period of thirty years. In respect of buildings constructed on lease hold land (where the lease period is less than thirty years) depreciation is charged on a 'straight-line' basis over the lease period of the land.
- ii. Impairment of buildings: For assessment of impairment, buildings are classified into two categories, as under:
  - a. *Buildings which are in use but have been identified for demolition in future or will be discarded in future:* The value in use of such buildings is the aggregate of depreciation for the future period up to the date it is expected to be discarded/ demolished. The difference between the book value and aggregate of depreciation so arrived at is charged as depreciation.
  - b. *Buildings which have been discarded/ vacated:* These buildings are shown at realisable value (net selling price-if the asset is likely to be sold in future) or scrap value less demolition cost (if it is to be demolished). If the resultant amount is negative, then the carrying value

of such buildings is shown at ₹1. The difference between the book value and realisable value (net selling price)/ scrap value less demolition cost is charged as depreciation.

#### **2.8 Employee Benefits**

- a. The Reserve Bank contributes monthly at a determined rate to Provident Fund for the eligible employees and these contributions are charged to Profit and Loss Account in the year to which it relates.
- b. Other liability on account of long-term employee benefits is provided based on an actuarial valuation under the 'Projected Unit Credit' method.

### **NOTES TO ACCOUNTS**

#### **XII.5 LIABILITIES OF THE RESERVE BANK**

##### **XII.5.1 Capital**

The Reserve Bank was constituted as a private shareholders' bank in 1935 with an initial paid-up capital of ₹0.05 billion. The Reserve Bank was nationalised with effect from January 1, 1949 and its entire ownership remains vested with the Government of India. The paid-up capital continues to be ₹0.05 billion in terms of Section 4 of the Reserve Bank of India (RBI) Act, 1934.

##### **XII.5.2 Reserve Fund**

The original Reserve Fund of ₹0.05 billion was created in terms of Section 46 of the RBI Act, 1934 as contribution from the central government for the currency liability of the then sovereign government taken over by the Reserve Bank. Thereafter, an amount of ₹64.95 billion was credited to this fund from out of gains on periodic

revaluation of gold up to October 1990, taking it to ₹65 billion. The fund has been static since then as the unrealised gain/loss on account of valuation of gold and foreign currency is since being booked in the CGRA which appears under 'Other Liabilities and Provisions'.

### **XII.5.3 Other Reserves**

This includes National Industrial Credit (Long Term Operations) Fund and National Housing Credit (Long Term Operations) Fund.

#### *a) National Industrial Credit (Long Term Operations) Fund*

This fund was created in July 1964, in terms of Section 46C of the RBI Act, 1934 with an initial corpus of ₹0.10 billion. The fund witnessed annual contributions from the Reserve Bank for financial assistance to eligible financial institutions. Since 1992-93, a token amount of ₹0.01 billion is being contributed each year to the Fund from the Reserve Bank's income. The balance in the fund stood at ₹0.29 billion as on June 30, 2020.

#### *b) National Housing Credit (Long Term Operations) Fund*

This fund was set up in January 1989 in terms of Section 46D of the RBI Act, 1934 for extending financial accommodation to the National Housing Bank (NHB). The initial corpus of ₹0.50 billion has been enhanced by annual contributions from the Reserve Bank thereafter. From the year 1992-93, only a token amount of ₹0.01 billion is being contributed each year from the Reserve Bank's income. The balance in the fund stood at ₹2.03 billion as on June 30, 2020.

*Note: Contribution to other Funds*

There are two other Funds constituted in terms of Section 46A of the RBI Act, 1934, viz., National Rural Credit (Long Term Operations) Fund and National Rural Credit (Stabilisation) Fund which are maintained by National Bank for Agriculture and Rural Development (NABARD) for which a token amount of ₹0.01 billion each is set aside and transferred to NABARD every year.

### **XII.5.4 Deposits**

These represent the balances maintained with the Reserve Bank, by banks, the central and state governments, All India Financial Institutions such as Export-Import Bank of India (EXIM Bank) and NABARD, Foreign Central Banks, International Financial Institutions, balances in Administrator of RBI Employees' Provident Fund, Depositors' Education and Awareness Fund (DEA Fund), amount outstanding against Reverse Repo, Medical Assistance Fund (MAF), etc.

Total deposits increased by 53.72 per cent from ₹7,649.22 billion as on June 30, 2019 to ₹11,758.60 billion as on June 30, 2020.

#### *a. Deposits – Government*

The Reserve Bank acts as the banker to the central government in terms of Sections 20 and 21 and as banker to the state governments by mutual agreement in terms of Section 21A of the RBI Act, 1934. Accordingly, the central and state governments maintain deposits with the Reserve Bank. The balances held by the central and state governments were ₹1.00 billion and ₹0.43 billion, respectively, as on June 30, 2020 as compared to ₹1.01 billion and ₹0.42 billion, respectively, as on June 30, 2019.

b. *Deposits – Banks*

Banks maintain balances in their current accounts with the Reserve Bank to provide for the Cash Reserve Ratio (CRR) requirements and for working funds to meet payment and settlement obligations. The deposits held by banks decreased by 14.30 per cent from ₹5,494.08 billion as on June 30, 2019 to ₹4,708.49 billion as on June 30, 2020.

c. *Deposits - Others*

'Deposits- Others' consists of balances of Administrator of RBI Employees Provident Fund, balance in Depositors' Education and Awareness Fund (DEA Fund), balances of Foreign Central Banks, Indian and International Financial Institutions, Medical Assistance Fund, amount outstanding under Reverse Repo, etc. The amount under 'Deposits-Others' increased by 227.28 per cent from ₹2,153.71 billion as on June 30, 2019 to ₹7,048.68 billion as on June 30, 2020, primarily due to increase in reverse repo deposits with the Reserve Bank.

**XII.5.5 Other Liabilities and Provisions**

The major components of 'Other Liabilities and Provisions' are risk provisions and revaluation accounts. 'Other Liabilities and Provisions' increased by 30.47 per cent from ₹11,624.51 billion as on June 30, 2019 to ₹15,166.21 billion as on June 30, 2020, primarily due to increase in CGRA.

i. *Risk Provisions*

There are two risk provisions of the Reserve Bank, viz., CF and ADF. The provisions made towards these funds are made in terms of

Section 47 of the RBI Act, 1934. The details are as under:

a. *Contingency Fund (CF)*

This is a specific provision meant for meeting unexpected and unforeseen contingencies, including depreciation in the value of securities, risks arising out of monetary/exchange rate policy operations, systemic risks and any risk arising on account of the special responsibilities enjoined upon the Reserve Bank. As on June 30, 2020, an amount of ₹59.25 billion was charged to CF on account of debit balance of FCVA. The charge to CF is reversed on the first working day of the following year. Further, a provision of ₹736.15 billion was made towards CF. Accordingly, the balance in CF as on June 30, 2020 was ₹2,640.34 billion as compared to ₹1,963.44 billion as on June 30, 2019.

b. *Asset Development Fund (ADF)*

The ADF was created in 1997-98 and the balance therein represents provision specifically made till date towards investments in subsidiaries and associate institutions and to meet internal capital expenditure. It is also treated as part of risk provisions of the Reserve Bank. No provision was made for transferring to ADF in the year 2019-20. Hence, the balance in ADF remains at ₹228.75 billion as on June 30, 2020 (Table XII.2).

ii. *Revaluation Accounts*

The unrealised marked-to-market gains/losses are recorded in the revaluation heads,



**Table XII.2: Balances in Risk Provisions**

(₹ billion)

As on June 30	Balance in CF	Balance in ADF	Total	CF and ADF as Percentage to Total Assets
1	2	3	4=(2+3)	5
2016	2,201.83 <sup>@</sup>	227.61	2,429.44	7.5
2017	2,282.07 <sup>#</sup>	228.11	2,510.18	7.6
2018	2,321.08 <sup>^</sup>	228.11	2,549.19	7.05
2019	1,963.44 <sup>&amp;</sup>	228.75	2,192.19	5.34
2020	2,640.34 <sup>*</sup>	228.75	2,869.09	5.38

<sup>@</sup> : The decline in the CF is due to charging of the debit balance in the FCVA on account of marked-to-market loss on forward contracts as on June 30, 2016.

<sup>#</sup> : Increase in CF is the net impact of provision of ₹ 131.40 billion and charging of the debit balance of IRS and FCVA amounting to ₹ 65.85 billion as on June 30, 2017.

<sup>^</sup> : Increase in CF is the net impact of provision of ₹ 141.90 billion and charging of the debit balance of IRA-FS amounting to ₹ 168.74 billion as on June 30, 2018.

<sup>&</sup> : The decline in the CF is due to writing back of excess provision of ₹ 526.37 billion as on June 30, 2019.

<sup>\*</sup> : Increase in CF is the net impact of provision of ₹ 736.15 billion and charging of the debit balance in the FCVA on account of marked-to-market loss on forward contracts amounting to ₹ 59.25 billion as on June 30, 2020.

viz., CGRA, IRA-FS, IRA-RS and FCVA. The details are as under:

a. *Currency and Gold Revaluation Account (CGRA)*

The major sources of market risk faced by the Reserve Bank are currency risk, interest rate risk and movement in gold prices. Unrealised gains/ losses on valuation of Foreign Currency Assets (FCA) and Gold are not taken to the Income Account but instead accounted for in the CGRA. Net balance in CGRA, therefore, varies with the size of the asset base, its valuation and movement in the exchange rate and price of gold. CGRA provides a buffer against exchange rate/ gold price fluctuations. It

can come under pressure if there is an appreciation of the rupee vis-à-vis major currencies or a fall in the price of gold. When CGRA is not sufficient to fully meet exchange losses, it is replenished from the CF. During 2019-20, the balance in CGRA increased from ₹6,644.80 billion as on June 30, 2019 to ₹9,771.41 billion as on June 30, 2020 mainly due to depreciation of rupee and the rise in the international price of gold.

b. *Investment Revaluation Account-Foreign Securities (IRA-FS)*

The foreign dated securities are marked-to-market on the last business day of each week and month and the unrealised gains/ losses arising therefrom are transferred to the IRA-FS. The balance in IRA-FS increased from ₹ 157.35 billion as on June 30, 2019 to ₹538.34 billion as on June 30, 2020.

c. *Investment Revaluation Account-Rupee Securities (IRA-RS)*

Rupee securities and oil bonds (with exception as mentioned under Significant Accounting Policy) held as assets of the Banking Department are marked-to-market as on the last business day of each month and the unrealised gains/ losses arising therefrom are booked in IRA-RS. The balance in IRA-RS increased from ₹494.76 billion as on June 30, 2019 to ₹934.15 billion as on June 30, 2020 due to increase in portfolio of rupee securities and decline in yields on Government of India securities held by the Reserve Bank during the year.

d. *Foreign Exchange Forward Contracts Valuation Account (FCVA)*

Marking-to-market valuation of outstanding forward contracts as on June 30, 2020 resulted in a net unrealised loss of ₹59.25 billion, which was debited to the FCVA with contra credit to PFCVA. As per the extant policy, the debit balance of ₹59.25 billion in FCVA was adjusted against the CF on June 30, 2020 and reversed on the first working day of the following year. Accordingly, the balance in FCVA was NIL as against a balance of ₹13.04 billion on June 30, 2019. Also, as per the policy, the balance in the FCVA and PFCVA as on the first working day of the following year is reversed on the maturity of the contracts.

iii. *Provision for Forward Contracts Valuation Account (PFCVA)*

Marked-to-market net loss on outstanding forward contracts was credited to PFCVA as explained above. The balance in PFCVA as on June 30, 2020 was ₹59.25 billion, as against NIL balance on June 30, 2019.

The balances in Revaluation Accounts and PFCVA for the last five years is given in Table XII.3.

**Table XII.3: Balances in CGRA, FCVA, PFCVA, IRA-FS and IRA-RS**

(₹ billion)

As on June 30	CGRA	FCVA	PFCVA	IRA-FS	IRA-RS
1	2	3	4	5	6
2016	6,374.78	0.00	14.69	132.66	391.46
2017	5,299.45	0.00	29.63	0.00	570.90
2018	6,916.41	32.62	0.00	0.00	132.85
2019	6,644.80	13.04	0.00	157.35	494.76
2020	9,771.41	0.00	59.25	538.34	934.15

iv. *Provision for Payables*

This represents the year end provisions made for expenditure incurred but not defrayed and income received in advance/ payable, if any. The balance under this head increased by 13.99 per cent from ₹22.81 billion as on June 30, 2019 to ₹26 billion as on June 30, 2020.

v. *Surplus Payable to the Central Government*

Under Section 47 of the RBI Act, 1934 after making provisions for bad and doubtful debts, depreciation in assets, contribution to staff and superannuation funds and for all matters for which provisions are to be made by or under the Act or that are usually provided by bankers, the balance of the profits of the Bank is required to be paid to the central government. Under Section 48 of the RBI Act, 1934 the Reserve Bank is not liable to pay income tax or super tax on any of its income, profits or gains. Accordingly, after adjusting the expenditure, provision for CF and contribution of ₹0.04 billion to four statutory funds, the surplus payable to the central government for the year 2019-20 amounted to ₹571.28 billion (including ₹6.32 billion as against ₹7.16 billion in the previous year payable towards the difference in interest expenditure borne by the Government of India, consequent on conversion of special securities into marketable securities).

vi. *Bills Payable*

The Reserve Bank provides remittance facilities for its constituents through issue of Demand Drafts (DDs) and Payment Orders (POs) (besides electronic payment mechanism). The balance under this head represents the unclaimed DDs/POs. The

amount outstanding under this head decreased from ₹0.08 billion as on June 30, 2019 to ₹0.02 billion as on June 30, 2020.

vii. *Miscellaneous*

This is a residual head representing items such as interest earned on earmarked securities, amounts payable on account of leave encashment, medical provisions for employees, global provision, etc. The balance under this head increased from ₹133.51 billion as on June 30, 2019 to ₹140.28 billion as on June 30, 2020.

#### XII.5.6 LIABILITIES OF ISSUE DEPARTMENT- Notes Issued

The liabilities of Issue Department reflect the quantum of currency notes in circulation. Section 34 (1) of the RBI Act, 1934 requires that all bank notes issued by the Reserve Bank since April 1, 1935 and the currency notes issued by the Government of India before the commencement of operations of the Reserve Bank, be part of the liabilities of the Issue Department. The 'Notes Issued' increased by 21.52 per cent from ₹21,687.97 billion as on June 30, 2019 to ₹26,355.75 billion as on June 30, 2020. The increase is on account of the continued efforts of Reserve Bank to supply adequate quantity of banknotes to meet the transactional needs of the public. Also, an amount of ₹107.20 billion, representing the value of Specified Bank Notes (SBNs) not paid was transferred to 'Other Liabilities and Provisions' as on June 30, 2018. In terms of Gazette Notification issued by the Government of India on May 12, 2017, the Reserve Bank has made payments to the extent of ₹0.06 billion towards exchange value of SBNs to eligible tenderers during the year ended June 30, 2020.

## XII.6 ASSETS OF THE RESERVE BANK

### XII.6.1 ASSETS OF BANKING DEPARTMENT

#### i) Notes, Rupee Coin and Small Coin

This head represents the balances of bank notes, one rupee notes, rupee coins of ₹1, 2, 5 and 10 and small coins kept in the vaults of the Banking Department to meet the day-to-day requirements of the banking functions conducted by the Reserve Bank. The balance as on June 30, 2020 was ₹0.13 billion as against ₹0.09 billion as on June 30, 2019.

#### ii) Gold Coin and Bullion

As on June 30, 2020, the Reserve Bank holds 661.41 metric tonnes of gold as compared to 618.16 metric tonnes as on June 30, 2019. The increase is on account of addition of 43.25 metric tonnes of Gold during the year.

Of 661.41 metric tonnes, 292.30 metric tonnes as on June 30, 2020 is held as backing for notes issued and shown separately as an asset of Issue Department. The balance 369.11 metric tonnes as on June 30, 2020 as compared to 325.86 metric tonnes on June 30, 2019 is treated as an asset of Banking Department (Table XII.4). The value of gold

**Table XII.4: Physical Holding of Gold**

	As on June 30, 2019	As on June 30, 2020
	Volume in metric tonnes	Volume in metric tonnes
1	2	3
Gold held for backing notes issued (held in India)	292.30	292.30
Gold held as asset of Banking Department (held abroad)	325.86	369.11
<b>Total</b>	<b>618.16</b>	<b>661.41</b>

held as asset of Banking Department increased by 61.81 per cent from ₹882.98 billion as on June 30, 2019 to ₹1,428.75 billion as on June 30, 2020, on account of addition of 43.25 metric tonnes of gold during the year as well as rise in the international price of gold.

### iii) Bills Purchased and Discounted

Though the Reserve Bank can undertake purchase and discounting of commercial bills under the RBI Act, 1934, no such activity was undertaken in 2019-20; consequently, there was no such asset in the books of the Reserve Bank as on June 30, 2020.

### iv) Investments-Foreign-Banking Department (BD)

The FCA of the Reserve Bank include: (i) deposits with other central banks; (ii) deposits with the Bank for International Settlements (BIS); (iii) deposits with commercial banks overseas; (iv) investments in foreign T-Bills and securities; and (v) Special Drawing Rights (SDR) acquired from the Government of India.

The FCA is reflected under two heads in the Balance Sheet: (a) 'Investments-Foreign-BD' shown as an asset of Banking Department and (b) 'Investments-Foreign-ID' shown as an asset of Issue Department.

Investments-Foreign-ID are the FCA, eligible as per Section 33(6) of the RBI Act, 1934, used for backing of Notes Issued. The remaining of FCA constitutes 'Investments-Foreign-BD'.

The position of FCA for the last two years is given in Table XII.5.

### v) Investments-Domestic-Banking Department (BD)

Investments comprise dated Government Rupee Securities, T-Bills and Special Oil Bonds. The Reserve Bank's holding of domestic securities increased by 18.40 per cent, from ₹9,898.77 billion as on June 30, 2019 to ₹11,720.27 billion as on June 30, 2020. The increase was on account of liquidity management operations conducted by way of net purchase of government securities

**Table XII.5: Details of FCA**

(₹ billion)

Particulars	As on June 30	
	2019	2020
1	2	3
I Investments-Foreign –ID	20,887.65	25,216.44
II Investments-Foreign –BD*	6,964.53	10,234.00
<b>Total</b>	<b>27,852.18</b>	<b>35,450.44</b>

\*: includes Shares in BIS and SWIFT and SDRs transferred from Gol valued at ₹ 112.11 billion as on June 30, 2020 compared to ₹ 103.21 billion as on June 30, 2019.

**Note:**

1. The Reserve Bank has agreed to make resources available under the IMF's New Arrangements to Borrow (NAB). Currently India's commitment under NAB stands at SDR 4.44 billion (₹ 462.59 billion / US\$ 6.13 billion). As on June 30, 2020, investments amounting to SDR 0.22 billion (₹ 22.91 billion / US\$0.30 billion) have been made under the NAB.
2. The Reserve Bank has agreed to invest up to an amount, the aggregate of which shall not exceed US\$5 billion (₹ 377.55 billion), in the bonds issued by India Infrastructure Finance Company (UK) Limited. As on June 30, 2020, the Reserve Bank has invested US\$1.86 billion (₹ 140.68 billion) in such bonds.
3. In terms of the Note Purchase Agreement 2016 entered into by the Reserve Bank with IMF, the Reserve Bank would purchase SDR denominated Notes of IMF for an amount up to the equivalent of US\$10 billion (₹ 755.10 billion).
4. During the year 2013-14, the Reserve Bank and Government of India entered into a MoU for transfer of SDR holdings from Government of India to the Reserve Bank in a phased manner. As on June 30, 2020, SDR 1.05 billion (₹ 109.01 billion/ US\$1.44 billion) were held by the Bank.
5. With a view to strengthening regional financial and economic cooperation, the Reserve Bank has agreed to offer an amount of US\$2 billion both in foreign currency and Indian rupee under the SAARC Swap Arrangement to SAARC member countries. As on June 30, 2020, Swap with Bhutan and Maldives, amounting to US\$0.19 billion (₹ 14.28 billion) and US\$0.15 billion (₹ 11.33 billion) respectively, is outstanding.

amounting to ₹1,815.03 billion (face value).

A part of Investments-Domestic-BD is also earmarked for various staff funds and DEA Fund as explained in para 2.5(d). As on June 30, 2020, ₹676.09 billion (face value) was earmarked for staff funds and DEA Fund taken together.

## vi) Loans and Advances

### a) Central and State Governments

These loans are extended in the form of Ways and Means Advances (WMA) in terms of Section 17(5) of the RBI Act, 1934 and the limit in case of central government is fixed from time to time in consultation with the Government of India and in case of state governments, the limits are fixed based on the recommendations of Advisory Committee/ Group constituted for this purpose. Loans and advances to the central government decreased from ₹265.31 billion as on June 30, 2019 to NIL as on June 30, 2020 as the central government was in surplus on that day whereas loans and advances to state governments increased from ₹26.66 billion as on June 30, 2019 to ₹46.24 billion as on June 30, 2020.

### b) Loans and advances to Commercial and Co-operative Banks; NABARD; and others

- *Loans and advances to Commercial and Co-operative Banks:*

These include amounts outstanding

against Repo under LAF, MSF and special liquidity facility to banks. The amount outstanding increased from ₹572 billion as on June 30, 2019 to ₹2,855.77 billion as on June 30, 2020 primarily due to increase in amount outstanding against Repo to banks.

- *Loans and advances to NABARD:*

The Reserve Bank can extend loans to NABARD under Section 17 (4E) of the RBI Act, 1934. The balance under this head increased from NIL as on June 30, 2019 to ₹221.23 billion as on June 30, 2020.

- *Loans and advances to others:*

The balance under this head represents loans and advances to National Housing Bank (NHB) and liquidity support provided to Primary Dealers (PDs). The balance under this head increased by 45.55 per cent from ₹67.90 billion as on June 30, 2019 to ₹98.83 billion as on June 30, 2020 primarily due to increase in loans and advances to NHB.

## vii) Investment in Subsidiaries/ Associates

Total holding of the Reserve Bank in its subsidiaries/associate institutions amounted to ₹19.64 billion as on June 30, 2020 same as that in the previous year. The detail is given in Table XII.6.

## viii) Other Assets

'Other Assets' comprises of fixed assets (net of depreciation), accrued income, balances held in SAA and RFCA, and miscellaneous

**Table XII.6: Holdings in Subsidiaries/  
Associates in 2019-20**

Subsidiaries/Associates	Amount (₹ billion)	Per cent holding as on June 30, 2020
1	2	3
a) Deposit Insurance and Credit Guarantee Corporation (DICGC)	0.50	100
b) Bharatiya Reserve Bank Note Mudran (P) Ltd. (BRBNMPL)	18.00	100
c) Reserve Bank Information Technology (P) Ltd. (ReBIT)	0.50	100
d) National Centre for Financial Education (NCFE)	0.30	30
e) Indian Financial Technology & Allied Services (IFTAS)	0.34	100
<b>Total</b>	<b>19.64</b>	

assets. Miscellaneous assets comprise mainly loans and advances to staff, amount spent on projects pending completion, security deposit paid, etc. The amount outstanding under 'Other Assets' decreased by 42.89 per cent from ₹ 643.20 billion as on June 30, 2019 as compared to ₹ 367.32 billion as on June 30, 2020.

a. *Swap Amortisation Account (SAA)*

In case of swaps that are in the nature of repo at off-market rates, the difference between the future contract rate and the rate at which the contract is entered into is amortised over the period of the contract and held in the SAA. The balance held in this account is to be reversed on maturity of the outstanding contracts. As on June 30, 2020, there are no outstanding contracts.

b. *Revaluation of Forward Contracts Account (RFCA)*

As per the extant policy, the forward contracts are marked-to-market on a half yearly basis and the net gain is recorded in FCVA with contra entry in the RFCA. RFCA had NIL balance as on June 30, 2020 as compared to ₹ 13.04 billion as on June 30, 2019.

**XII.6.2 ASSETS OF ISSUE DEPARTMENT**

The eligible assets of the Issue Department held as backing for notes issued consist of Gold Coin and Bullion, Rupee Coin, Investments - Foreign - ID, Government of India Rupee Securities and Domestic Bills of Exchange. The Reserve Bank holds 661.41 metric tonnes of gold, of which 292.30 metric tonnes are held as backing for notes issued as on June 30, 2020 (Table XII.4). The value of gold held as backing for notes issued increased by 42.85 per cent from ₹ 792.04 billion as on June 30, 2019 to ₹ 1,131.46 billion as on June 30, 2020 on account of rise in the international price of gold. Consequent upon the increase in notes issued, Investments-Foreign-ID held as backing for notes issued increased by 20.72 per cent from ₹ 20,877.65 billion as on June 30, 2019 to ₹ 25,216.44 billion as on June 30, 2020. The balance of Rupee Coins held by the Issue Department decreased by 5.19 per cent from ₹ 8.28 billion as on June 30, 2019 to ₹ 7.85 billion as on June 30, 2020.

**XII.7 FOREIGN EXCHANGE RESERVES (FER)**

XII.7.1 FER comprises of FCA, Gold, SDRs and Reserve Tranche Position (RTP). The SDR (other

than the amount acquired from Government of India and included under 'Investment-Foreign-BD') does not form a part of Reserve Bank's balance sheet. Similarly, the RTP, which represents India's quota contribution to IMF in foreign currency is not part of Reserve Bank's balance sheet. The position of FER as on June 30, 2019 and June 30, 2020 in Indian Rupees and the US dollar, which is the numéraire currency for our FER, is furnished in Tables XII.7 (a) and (b).

**Table XII.7(a): Foreign Exchange Reserves (FER)**

(₹ billion)

Components	As on June 30		Variation	
	2019	2020	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	27,616.45 <sup>^</sup>	35,175.14 <sup>#</sup>	7,558.69	27.37
Gold	1,675.02 <sup>@</sup>	2,560.21 <sup>*</sup>	885.19	52.85
Special Drawing Rights (SDR)	100.36	109.23	8.87	8.84
Reserve Tranche Position (RTP) in IMF	231.69	341.12	109.43	47.23
<b>Foreign Exchange Reserves (FER)</b>	<b>29,623.52</b>	<b>38,185.70</b>	<b>8,562.18</b>	<b>28.90</b>

<sup>^</sup>: Excludes (a) SDR Holdings of the Reserve Bank amounting to ₹ 100.36 billion, which is included under the SDR holdings, (b) Investment of ₹ 128.39 billion in bonds issued by IIFC (UK), and (c) ₹ 6.98 billion lent to Bhutan under a Currency Swap arrangement made available for SAARC countries.

<sup>#</sup>: Excludes (a) SDR Holdings of the Reserve Bank amounting to ₹ 109.01 billion, which is included under the SDR holdings, (b) Investment of ₹ 140.68 billion in bonds issued by IIFC (UK), and (c) ₹ 14.28 billion lent to Bhutan and ₹ 11.33 billion lent to Maldives under a Currency Swap arrangement made available for SAARC countries.

<sup>@</sup>: Of this, Gold valued at ₹ 792.04 billion is held as an asset of Issue Department and Gold valued at ₹ 882.98 billion is held under asset of Banking Department.

<sup>\*</sup>: Of this, Gold valued at ₹ 1,131.46 billion is held as an asset of Issue Department and Gold valued at ₹ 1,428.75 billion is held under asset of Banking Department.

**Table XII.7(b): Foreign Exchange Reserves (FER)**

(US\$ billion)

Components	As on June 30		Variation	
	2019	2020	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	400.71 <sup>*</sup>	465.83 <sup>**</sup>	65.12	16.25
Gold	24.30	33.90	9.60	39.51
Special Drawing Rights (SDR)	1.46	1.45	(-) 0.01	(-) 0.68
Reserve Tranche Position (RTP) in IMF	3.36	4.52	1.16	34.52
<b>Foreign Exchange Reserves (FER)</b>	<b>429.83</b>	<b>505.70</b>	<b>75.87</b>	<b>17.65</b>

<sup>\*</sup>: Excludes (a) SDR Holdings of the Reserve Bank amounting to US\$ 1.46 billion, which is included under the SDR holdings, (b) US\$ 1.86 billion invested in bonds of IIFC (UK) and (c) BTN equivalent to US\$ 0.1 billion equivalent of INR currency lent to Bhutan under a Currency Swap arrangement made available for SAARC countries.

<sup>\*\*</sup>: Excludes (a) SDR Holdings of the Reserve Bank amounting to US\$ 1.44 billion, which is included under the SDR holdings, (b) US\$ 1.86 billion invested in bonds of IIFC (UK) and (c) BTN equivalent to US\$ 0.19 billion equivalent of INR currency lent to Bhutan and US\$ 0.15 billion lent to Maldives under a Currency Swap arrangement made available for SAARC countries.

## ANALYSIS OF INCOME AND EXPENDITURE

### XII.8 INCOME

XII.8.1 The components of the Reserve Bank's income are 'Interest Receipts', which forms the major portion and 'Other Income' including (i) Discount; (ii) Exchange; (iii) Commission; (iv) Amortisation of Premium/ Discount on Foreign and Rupee Securities; (v) Profit/ Loss on Sale and Redemption of Foreign and Rupee Securities; (vi) Depreciation on Rupee Securities inter portfolio transfer; (vii) Rent Realised; (viii) Profit or loss on sale of Bank's property; and (ix) Provisions no longer required and Miscellaneous Income. Certain items of income such as interest on LAF repo, Repo in foreign security and exchange gain/

loss from foreign exchange transactions are reported on net basis.

### Earnings from Foreign Sources

XII.8.2 The income from foreign sources, increased by 9.88 per cent from ₹749.58 billion in 2018-19 to ₹823.66 billion in 2019-20 on account of increase in the level of FCA, movement in the exchange rates and a general rise in yield/ interest rates across all currencies in the first half of the year. The rate of earnings on foreign currency assets was at 2.65 per cent in 2019-20 as compared with 2.79 per cent in 2018-19 (Table XII.8).

### Earnings from Domestic Sources

XII.8.3 The income from domestic sources amounted to ₹673.06 billion in 2019-20 as compared to ₹1,180.78 billion in 2018-19. The previous year's income included a write back of excess provision in CF amounting to ₹526.37 billion. A comparison excluding the same from previous year's income, shows a marginal increase in the income for 2019-20 (Table XII.9). The current year's income has also been impacted

by the net interest outgo on interest under LAF/MSF due to absorption of surplus liquidity in the banking system.

XII.8.4 *Interest on holding of Rupee Securities and oil bonds* increased by 20.50 per cent from ₹583.43 billion in 2018-19 to ₹703.04 billion in 2019-20 on account of increase in the Reserve Bank's holding of government securities as a result of net purchase of ₹1,815.03 billion (face value) in 2019-20.

XII.8.5 *The net interest income from LAF/MSF operations* decreased from ₹11.81 billion in 2018-19 to ₹(-)129.04 billion in 2019-20 due to absorption of surplus liquidity in the banking system leading to net interest outgo under LAF/MSF. The higher banking system surplus was due to pro-active liquidity management operations carried out by the Reserve Bank to augment system-level liquidity and to channelise liquidity to specific sectors facing funding constraints on account of disruptions caused due to COVID-19 pandemic.

XII.8.6 *Profit on sale and redemption of Rupee Securities* increased from ₹0.40 billion in 2018-19 to ₹12.52 billion in 2019-20 primarily on account of higher sale operations amounting to ₹421.11 billion (face value) in 2019-20 as compared to ₹0.60 billion (face value) in 2018-19.

XII.8.7 *Premium/Discount on amortisation of Rupee Securities and Oil Bonds:* The rupee securities and oil bonds, held by the Reserve Bank are amortised on daily basis during the period of residual maturity and the premium/discount is booked in the income head. The net income from premium/discount on amortisation of domestic securities decreased by 21.63 per cent

**Table XII.8: Earnings from Foreign Sources**

(₹ billion)

Item			Variation	
	2018-19	2019-20	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	27,852.18	35,450.44	7,598.26	27.28
Average FCA	26,896.92	31,103.66	4,206.74	15.64
Earnings from FCA (interest, discount, exchange gain/loss, capital gain/loss on securities)	749.58	823.66	74.08	9.88
Earnings from FCA as per cent of average FCA	2.79	2.65	-0.14	-5.02



Table XII.9: Earnings from Domestic Sources

(₹ billion)

Item	2018-19	2019-20	Variation	
			Absolute	Per cent
1	2	3	4	5
<b>Earnings (I+II+III+IV)</b>	<b>1,180.78</b>	<b>673.06</b>	<b>-507.72</b>	<b>-43.00</b>
<b>I. Earnings from Rupee Securities and Discounted Instruments</b>				
i) Interest on holding of Rupee Securities and Oil Bonds	583.43	703.04	119.61	20.50
ii) Profit on Sale and Redemption of Rupee Securities	0.40	12.52	12.12	3,030.00
iii) Depreciation on Rupee Securities inter Portfolio Transfer	-0.27	-0.09	0.18	66.67
iv) Amortisation of Premium/Discount on Rupee Securities and Oil Bonds	21.45	16.81	-4.64	-21.63
v) Discount	0.00	7.35	7.35	-
<b>Sub total (i+ii+iii+iv+v)</b>	<b>605.01</b>	<b>739.63</b>	<b>134.62</b>	<b>22.25</b>
<b>II. Interest on LAF/MSF</b>				
i) Net Interest on LAF Operations	10.46	-130.53	-140.99	-1,347.90
ii) Interest on MSF Operations	1.35	1.49	0.14	10.37
<b>Sub total (i+ii)</b>	<b>11.81</b>	<b>-129.04</b>	<b>-140.85</b>	<b>-1,192.63</b>
<b>III. Interest on Other Loans and Advances</b>				
i) Government (Central & States)	12.85	23.14	10.29	80.08
ii) Banks & Financial Institutions	1.47	11.75	10.28	699.32
iii) Employees	0.66	0.68	0.02	3.03
<b>Sub total (i+ii+iii)</b>	<b>14.98</b>	<b>35.57</b>	<b>20.59</b>	<b>137.45</b>
<b>IV. Other Earnings</b>				
i) Exchange	0.00	0.00	0.00	0.00
ii) Commission	22.72	24.31	1.59	7.00
iii) Rent Realised, Profit or Loss on Sale of Bank's Property, Provisions No Longer Required and Miscellaneous	526.26	2.59	-523.67	-99.51
<b>Sub total (i+ii+iii)</b>	<b>548.98</b>	<b>26.90</b>	<b>-522.08</b>	<b>-95.10</b>

from ₹21.45 billion during 2018-19 to ₹16.81 billion for 2019-20.

XII.8.8 *Discount-Domestic*: During the year 2019-20, the Reserve Bank earned ₹7.35 billion on holding of discounted instruments [T-Bills and Cash Management Bills (CMBs)]. The Reserve Bank did not hold any discounted instruments during 2018-19.

#### XII.8.9 *Interest on loans and advances*

##### a. *Central and State Government:*

Interest income on Ways and Means Advances (WMA)/Overdraft (OD) extended

to central and state governments increased by 80.08 per cent from ₹12.85 billion during 2018-19 to ₹23.14 billion in 2019-20. Of the total, interest income received from the Centre on account of WMA/OD increased by 100.09 per cent from ₹10.65 billion in 2018-19 to ₹21.31 billion in 2019-20 and interest income received from the states on account of WMA/OD/Special Drawing Facility (SDF) decreased by 16.82 per cent from ₹2.20 billion in 2018-19 to ₹1.83 billion in 2019-20. The net increased earning was on account of higher utilisation of WMA/OD facility by central government in 2019-20.

- b. *Banks & Financial Institutions*: Interest on loans and advances to banks and financial institutions increased by 699.32 per cent from ₹1.47 billion in 2018-19 to ₹11.75 billion in 2019-20.
- c. *Employees*: Interest on loans and advances to employees increased by 3.03 per cent from ₹0.66 billion in 2018-19 to ₹0.68 billion in 2019-20.

XII.8.10 *Commission*: The commission income increased by 7.00 per cent from ₹22.72 billion in 2018-19 to ₹24.31 billion in 2019-20 primarily on account of increase in management commission received for servicing outstanding central and state governments loan including savings bonds, government securities, T-Bills and CMBs.

XII.8.11 *Rent Realised, Profit or Loss on Sale of Bank's Property, Provisions No Longer Required and Miscellaneous Income*: Earnings from these income heads decreased from ₹526.26 billion in 2018-19 to ₹2.59 billion in 2019-20. The income was higher in 2018-19 due to write back of excess risk provision from CF to 'Provision No Longer Required' in the previous year.

## XII.9 EXPENDITURE

XII.9.1 The Reserve Bank incurs expenditure in the course of performing its statutory functions by way of agency charges/ commission, printing of notes, expenditure on remittance of currency besides staff related and other expenses. The total expenditure of the Bank increased from ₹170.45 billion in 2018-19 to ₹925.40 billion in 2019-20 (Table XII.10), primarily on account of (a) risk provision towards CF amounting to ₹736.15 billion, and (b) increase in employee cost primarily on account of actuarial valuation.

**Table XII.10: Expenditure**

(₹ billion)

Item	2015-16	2016-17	2017-18	2018-19	2019-20
1	2	3	4	5	6
i. Interest Payment	0.01	0.01	0.01	0.01	0.01
ii. Employee Cost	44.77	46.21	38.48	68.51	89.28
iii. Agency Charges/ Commission	47.56	40.52	39.03	39.10	38.76
iv. Printing of Notes	34.21	79.65	49.12	48.11	43.78
v. Provisions	10.00	131.90	141.90	0.64	736.15
vi. Others	13.35	13.26	14.23	14.08	17.42
<b>Total (i+ii+iii+iv+v+vi)</b>	<b>149.90</b>	<b>311.55</b>	<b>282.77</b>	<b>170.45</b>	<b>925.40</b>

### i) *Interest payment*

During 2019-20, an amount of ₹0.01 billion was paid as interest to Dr. B.R. Ambedkar Fund (set up for giving scholarship to wards of staff) and Employees Benevolent Fund.

### ii) *Employee cost*

The total employee cost for the year 2019-20 increased by 30.32 per cent from ₹68.51 billion in 2018-19 to ₹89.28 billion in 2019-20. The increase was due to net impact of increase in the Reserve Bank's expenditure towards accrued liabilities of various superannuation funds in 2019-20.

### iii) *Agency Charges/Commission*

#### a. *Agency Commission on Government Transactions*

The Reserve Bank discharges the function of banker to the government through a large network of agency bank branches that serve as retail outlets for government receipts and payments. The Reserve Bank pays commission to these agency banks at prescribed rates. These rates were revised with effect from July

1, 2019. The agency commission paid on account of government business decreased marginally by 0.76 per cent from ₹38.17 billion in 2018-19 to ₹37.88 billion in 2019-20. The marginal decrease of ₹0.29 billion is due to the dual impact of increased transaction processing by the Reserve Bank through *e-Kuber* integration as well as possible decrease in underlying government transactions on account of COVID-19 pandemic related situation.

*b. Underwriting Commission paid to Primary Dealers*

The Reserve Bank of India paid total underwriting commission of ₹0.61 billion to Primary Dealers during 2019-20 as compared to ₹0.74 billion during 2018-19. The period July 2019-June 2020 witnessed an increased G-sec borrowing program and uncertainty caused by COVID-19 pandemic during the last quarter. However, a possible spike in yields due to these events was adequately negated by a combination of factors throughout the year. During the first two quarters, economic conditions were fairly stable with reduced volatility. Reduction in the policy repo rate and market interventions by the Reserve Bank ensured availability of adequate liquidity in the system. On the international front too, crude prices were fairly steady and trade disputes between major economies were diminished. During the last quarter, measures undertaken by the Reserve Bank such

as policy rate cuts and timely intervention to ensure sufficient liquidity in the system by means of Open Market Operations (OMOs), Long Term Repo Operations (LTRO) and Targeted LTRO (TLTRO) resulted in considerable softening of yields across the yield curve. This was further aided by global factors like substantial drop in crude oil prices and a similar accommodative stance exhibited by central banks across the globe. Further, the announcement of various economy boosting measures by the Government of India and the Reserve Bank contributed to a positive outlook in the market. Hence, throughout the year, the domestic debt market conditions were stable, leading to a reduced possibility of devolvement resulting in the PDs demanding for a lesser commission to underwrite the securities in comparison with the previous year.

*c. Sundries*

This includes the expenses incurred on handling charges, turnover commission paid to banks for Relief/ Savings Bonds subscriptions and Commission paid on Securities Borrowing and Lending Arrangement (SBLA), *etc.* The commission paid under this head increased from ₹0.02 billion in 2018-19 to ₹0.06 billion in 2019-20.

*d. Fees paid to the External Asset Managers, Custodians, etc.*

Fees paid for custodial services increased from ₹0.17 billion in 2018-19 to ₹0.21 billion in 2019-20.

**iv) Printing of Notes**

The supply of notes during the year 2019-20 at 22,388 million pieces (mpcs) was 23.31 per cent lower than that of the year 2018-19 (29,191 mpcs). Therefore, the expenditure incurred on printing of banknotes decreased by 9.00 per cent from ₹48.11 billion in the year 2018-19 to ₹43.78 billion during the year 2019-20.

**v) Provisions**

In 2019-20, a provision of ₹736.15 billion was made towards CF.

**vi) Others**

Other expenses consisting of expenditure on remittance of currency, printing and stationery, audit fees and related expenses, miscellaneous expenses, *etc.* increased by 23.72 per cent from ₹14.08 billion in 2018-19 to ₹17.42 billion in 2019-20.

**XII.10 CONTINGENT LIABILITIES**

XII.10.1 Total contingent liabilities of the Reserve Bank amounted to ₹11.68 billion. The main component of it being partly paid shares, denominated in SDR, of the BIS held by the Reserve Bank. The uncalled liability on partly paid

shares of the BIS as on June 30, 2020 was ₹9.30 billion. The balances are callable at three months' notice by a decision of the BIS Board of Directors.

**XII.11 PRIOR PERIOD TRANSACTIONS**

XII.11.1 For the purpose of disclosure, prior period transactions of ₹0.01 million and above only have been considered. The prior period transactions under expenditure and income amounted to ₹(-) 0.01 billion and ₹0.36 billion, respectively.

**XII.12 PREVIOUS YEAR'S FIGURES**

XII.12.1 Figures for the previous year have been rearranged, wherever necessary, to make them comparable with the current year.

**XII.13 AUDITORS**

XII.13.1 The statutory auditors of the Reserve Bank are appointed by the central government in terms of Section 50 of the RBI Act, 1934. The accounts of the Reserve Bank for the year 2019-20 were audited by M/s Prakash Chandra Jain & Co., Mumbai and M/s Haribhakti & Co., LLP, Mumbai, as the Statutory Central Auditors and M/s Kothari & Co., Kolkata, M/s Suri & Co., Chennai and M/s Bansal & Co. LLP, New Delhi as Statutory Branch Auditors.