

The year 2017-18 was marked by several initiatives in the arena of, inter alia, human resource development, Enterprise-wide Risk Management (ERM), audit management, and promotion of Rajbhasha. As part of the drive to spread knowledge among staff, structured e-learning courses were introduced. The third edition of the RBI Policy Challenge, a national level competition targeting under/post-graduate students, was successfully conducted during the year. To reduce the impact of cyclicity in the Bank's economic capital levels on the surplus transferable to the Government of India, a rule-based Staggered Surplus Distribution Policy (SSDP) has been put in place. A web-enabled audit management, risk assessment and analysis platform, viz., Audit Management and Risk Monitoring System (AMRMS), is under development which would ensure higher degree of objectivity and consistency in the risk assessment process within the Bank. Alongside, the regional offices have strived to implement the policies to achieve the enshrined goals of the Reserve Bank.

XI.1 This chapter summarises the achievements of a number of departments during 2017-18, and sets priorities/agendas for 2018-19. It takes note of governance developments and strengthening of human resources in terms of new recruitments and updating the skills and knowledge of existing staff members using several innovative channels including training in Reserve Bank establishments, training at external institutions, study leave and structured e-learning courses. These initiatives were further aided by strengthening of grievance redressal mechanism for prevention of sexual harassment of women at the workplace and creation of a portal for retired employees of the Bank.

XI.2 With a view to developing an integrated assessment and management of risk, a three-phase roll out of the ERM framework was pursued during 2017-18. Preparation of Risk Registers for each Business Area of the Bank is underway and upon its completion, the entire risk profile of the Bank shall be available. This shall be the basis for the roll out of a Risk Tolerance Framework for the Bank. The automation of the audit process has

been initiated with the rolling out of the Risk Based Internal Audit (RBIA) module in Audit Management and Risk Monitoring System (AMRMS) in July 2017. The RBIA compliance module for all the auditee offices successfully went live in August 2017.

XI.3 Robust Business Continuity Plans (BCPs) have been set up as a resilient framework for efficient management of the disruptions. Necessary groundwork has been undertaken for implementation of the Electronic Documents Management System (EDMS) by monitoring through RBIA and control self-assessment audit. Besides compliance with statutory provisions of the Official Languages Act, the Rajbhasha Department also organised several trainings, conferences and seminars while the Premises Department continued with its endeavour of creating, maintaining and upgrading the Reserve Bank's infrastructure. The Regional Offices (ROs) strived to implement the policies originated in Central Office by ensuring availability of currency in circulation, supervising the Reserve Bank regulated entities and promoting financial inclusion and financial literacy.

GOVERNANCE STRUCTURE

XI.4 The Central Board of Directors, with the Governor in the Chair, is the apex body in the governance structure of the Reserve Bank. It comprises the Governor and Deputy Governors of the Reserve Bank, government officials and other Directors nominated by the Central Government. There are four Local Boards for the northern, southern, eastern and western regions of the country, which focus on local issues. The Government of India (GoI) nominates/appoints Directors to the Central Board and Members to the Local Boards in accordance with the Reserve Bank of India Act, 1934.

XI.5 The Central Board is assisted by three Committees: the Committee of the Central Board (CCB), the Board for Financial Supervision (BFS) and the Board for Regulation and Supervision of Payment and Settlement Systems (BPSS). These Committees are headed by the Governor. In addition, the Central Board also has four sub-committees: the Audit and Risk Management Sub-Committee (ARMS), the Human Resource Management Sub-Committee (HRM-SC), the Building Sub-Committee (BSC) and the Information Technology Sub-Committee (IT-SC). These sub-committees are typically headed by an external Director.

Meetings of the Central Board and CCB

XI.6 The Central Board held six meetings during July-June 2017-18 in Kochi, Mumbai (three meetings), GIFT City (Gandhinagar), and New Delhi. The Finance Minister of India addressed the post-Budget meeting held in New Delhi on February 10, 2018.

XI.7 The CCB held 46 meetings during the year, 32 of which were held through electronic mode. The CCB attended to the current business of the

Reserve Bank, including approval of its Weekly Statement of Affairs. External Directors were invited to the CCB meetings by rotation.

XI.8 Subsequent to the nomination of new members, the Eastern Area Local Board and the Western Area Local Board held four and three meetings, respectively during the year. However, no meeting of the Northern Area Local Board and Southern Area Local Board could be held due to lack of quorum.

XI.9 The Standing Committee of the Central Board was set up in 2014-15 to look into important concerns pertaining to Urban Cooperative Banks (UCBs), Non Banking Financial Companies (NBFCs), currency management, etc., in the regions where Local Boards were not able to function. One meeting of the Standing Committee of Northern Area was held during the year.

Attendance of Directors

XI.10 The details of participation of the Directors/ Members in the meetings of the Central Board, its Committees and Sub-Committees are given in the Annex.

Central Board/Local Boards: Changes

XI.11 Upon completion of his term, Shri S. S. Mundra relinquished charge as Deputy Governor on the forenoon of July 31, 2017. Shri M. K. Jain assumed charge as Deputy Governor on June 22, 2018. On being appointed as the Vice Chairman of NITI Aayog, Dr Rajiv Kumar, who was nominated under Section 8(1)(c) of the RBI Act, 1934, resigned as Director of the Central Board of the Reserve Bank of India with effect from September 04, 2017.

XI.12 Dr. Nachiket M. Mor was reappointed on the Eastern Area Local Board of the Bank and re-nominated to the Central Board with effect from August 24, 2017 for a period of four years under

Section 9(1) and Section 8 (1)(b) of the RBI Act, 1934.

XI.13 Shri Subhash Chandra Garg, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India was nominated as a Director under Section 8(1)(d) of the RBI Act, 1934 with effect from July 12, 2017 *vice* Shri Shaktikanta Das. Shri Rajiv Kumar, Secretary, Department of Financial Services, Ministry of Finance, Government of India, was also nominated under Section 8(1)(d) of the RBI Act, 1934 with effect from September 12, 2017 *vice* Smt. Anjuly Chib Duggal.

XI.14 Dr. Prasanna Kumar Mohanty and Shri Dilip S. Shanghvi, existing members of the Southern and the Western Area Local Boards, respectively, were nominated as Directors on the Central Board of Directors of the Reserve Bank under Section 8(1)(b) of the RBI Act, 1934 with effect from February 01, 2018. Their respective terms shall extend up to February 08, 2021 and March 10, 2021 or until further orders whichever is earlier. Shri Satish Kashinath Marathe and Shri Swaminathan Gurumurthy were nominated as Directors of the Central Board of the Reserve Bank under Section 8(1)(c) of the RBI Act, 1934 for a period of four years from August 07, 2018 or until further orders whichever is earlier.

Executive Directors - Changes

XI.15 Smt. Meena Hemchandra and Smt. Deepali Pant Joshi, Executive Directors retired at the end of November 2017 and December 2017, respectively. Smt. Uma Shankar and Shri A. K. Misra were promoted as Executive Directors with effect from December 04, 2017 and January 01, 2018, respectively against consequential vacancies. Smt. Sudha Balakrishnan was

appointed as the Chief Financial Officer of the Bank on May 17, 2018. Shri K. K. Vohra and Shri A. K. Misra, Executive Directors retired on May 31, 2018 and July 31, 2018, respectively. Smt. Rosemary Sebastian and Smt. Parvathy V. Sundaram were promoted as Executive Directors with effect from August 14, 2018.

HUMAN RESOURCE INITIATIVES

XI.16 The Human Resource Management Department (HRMD) plays the role of an enabler and a facilitator. It endeavours to enhance the effectiveness of the Reserve Bank's policies as also the efficiency of the workforce in an atmosphere that encourages pursuit of individual excellence and taps synergies arising from cohesive teamwork.

Major Developments

In-house Training

XI.17 The Reserve Bank strives to impart necessary knowledge and skill upgradation for development of technical and behavioural skills of its human resource. It also helps employees to attain personal growth and improve their effectiveness at work. The training establishments of the Bank, *viz.*, RBI Academy; Reserve Bank Staff College (RBSC), Chennai; College of Agricultural Banking (CAB), Pune; and four Zonal Training Centres in Mumbai, New Delhi, Kolkata and Chennai, cater to its training requirements (Table XI.1).

Training at External Institutions

XI.18 During 2017-18, 1041 officers were deputed by the Bank to participate in training programmes, seminars and conferences organised by external institutions in India. Workmen employees were also deputed for

Table XI.1: Reserve Bank Training Establishments - Programmes Conducted

Training Establishment	2015-16 (July-June)		2016-17 (July-June)		2017-18 (July-June)	
	Number of Programmes	Number of Participants	Number of Programmes	Number of Participants	Number of Programmes	Number of Participants
1	2	3	4	5	6	7
RBI Academy	---	---	9	317 (2)*(18)#	18	620 (24)#
RBSC, Chennai	125	2,741 (50)*	129	3,346 (172)*	147	3,583 (281)*
CAB, Pune	198	7,580 (69)*	173	5,788 (56)*	184	6,448 (42)*
ZTCs (Class I)	97	2,055	101	1,934	115	2,271
ZTCs (Class III)	102	2,247	104	2,130	100	2,109
ZTCs (Class IV)	38	807	33	758	36	802

*: Figures in brackets pertain to foreign participants.

#: Figures in brackets pertain to participants from external institutions in India including CAFRAL.

---: Not applicable.

Source: RBI.

trainings in external institutions in India during the year. Further, the Bank deputed 410 officers to attend various training courses, seminars, conferences and workshops conducted by banking and financial institutions, and multilateral institutions in different countries (Table XI.2).

Study Leave Schemes and Golden Jubilee Scholarship

XI.19 Fourteen officers of the Bank availed of the schemes for pursuing higher studies overseas (other than the Bank's Golden Jubilee Scheme) during the year. A total of 428 employees pursued select part-time/distance education courses under the Bank's incentive scheme. Under the Golden Jubilee Scholarship Scheme,

eight officers were selected during the year to pursue higher studies in reputed universities abroad.

Other Initiatives

Structured e-learning

XI.20 The Reserve Bank has introduced structured e-learning courses targeted at larger groups of staff members. This will be an ongoing process with newer modules being prepared and hosted on the Learning Management System of the Bank. At present, 15 e-learning modules are being offered by RBSC, Chennai on the Bank's intranet. Besides this, officers are also encouraged to undertake online certificate courses such as those offered by IMF's Institute for Capacity Development.

XI.21 During the course of the year, 152 students were selected and provided internship in the Bank as part of Bank's summer internship scheme.

Grants and Endowments

XI.22 Towards promoting research, training and consultancy in the banking and financial sector,

Table XI.2: Number of Officers Trained in External Training Institutions in India and Abroad

Year	Trained in India (External Institutions)	Trained abroad
1	2	3
2015 - 16	905	599
2016 - 17	816	506
2017 - 18	1041	410

Source: RBI.

the Reserve Bank provided financial support amounting to ₹320 million to the Indira Gandhi Institute of Development Research (IGIDR), Mumbai; ₹60 million to the Centre for Advanced Financial Research and Learning (CAFRAL), Mumbai; ₹6.8 million to the Indian Institute of Bank Management (IIBM), Guwahati; ₹15.7 million to the National Institute of Bank Management (NIBM), Pune and ₹6.95 million to the London School of Economics (LSE) India observatory and the IG Patel Chair.

Industrial Relations

XI.23 Industrial relations in the Bank remained by and large cordial during the year. The Reserve Bank continued to hold periodic meetings with recognised associations/federations of officers and employees/workmen on various matters related to service conditions and welfare measures for employees.

The RBI Policy Challenge

XI.24 The third edition of the RBI Policy Challenge, a national level competition, got underway in October 2017 and was organised in three rounds, viz., at Regional, Zonal and National level. The competition drew quality participation from educational institutions across the country, thereby succeeding in its aim to enhance knowledge regarding monetary policy making amongst undergraduate and post graduate students. Teams from Indian Institute of Technology, Kanpur (North Zone); Indian Institute of Management, Nagpur (West Zone); School of Economics, University of Hyderabad (South Zone); and West Bengal National University of Juridical Sciences (East Zone) qualified for the National Finals held at the Central Office, Mumbai on April 26, 2018, with the students from Indian Institute of Technology, Kanpur, emerging as the winners.

Table XI.3: Recruitments by the Reserve Bank in 2017*

Category of Recruitment	Category-wise strength						
	Total	Of which			Per cent of total		
		SC	ST	OBC	SC	ST	OBC
1	2	3	4	5	6	7	8
Class I	212	30	10	62	14.15	4.72	29.25
Class III	579	107	41	176	18.48	7.08	30.40
Class IV							
(a) Maintenance Attendant	0	0	0	0	0.00	0.00	0.00
(b) Others	10	0	0	2	0.00	0.00	20.00
Total	801	137	51	240	17.10	6.37	29.96

*: January to December 2017.
Source: RBI.

Recruitments and Staff Strength

XI.25 During 2017 (January-December), the Reserve Bank recruited 801 employees. Of these, 137 belonged to the Scheduled Castes (SCs), 51 to the Scheduled Tribes (STs) and 240 to Other Backward Classes (OBCs), constituting 53.43 per cent of the total recruitments (Table XI.3).

XI.26 The total staff strength of the Reserve Bank as on December 31, 2017 was 14,785 as compared to 15,461 a year ago. Of the total staff strength, 19.03 per cent belonged to the SC category, 6.65 per cent to the ST category and 15.66 per cent to the OBC category (Table XI.4). Total staff strength as on June 30, 2018 was 14,184.

XI.27 During 2017 (January-December), four meetings were held between the management and representatives of the All India Reserve Bank Scheduled Castes/Scheduled Tribes and the Buddhist Federation to discuss issues relating to the implementation of Reserve Bank's reservation policy. Two meetings were also held with representatives of OBC association.

XI.28 The total strength of ex-servicemen in the Reserve Bank, as at end December 2017,

Table XI.4: Staff Strength of the Reserve Bank*

Category	Total strength		Category-wise strength						Per cent to total strength		
	2016	2017	SC		ST		OBC		SC	ST	OBC
			2016	2017	2016	2017	2016	2017	2017		
1	2	3	4	5	6	7	8	9	10	11	12
Class I	6781	6955	993	1052	408	444	650	850	15.13	6.38	12.22
Class III	4017	3831	620	572	234	211	848	892	14.93	5.51	23.28
Class IV	4663	3999	1388	1190	368	328	635	573	29.76	8.20	14.33
Total	15461	14785	3001	2814	1010	983	2133	2315	19.03	6.65	15.66

*: End December.

Source: RBI.

stood at 900. Of these, 194 were in Class I, 201 in Class III and 505 in Class IV. The total number of employees with disabilities in Class I, Class III and Class IV cadres stood at 182, 74 and 75, respectively as on December 31, 2017 (Table XI.5). During the year, 28 ex-servicemen and 14 persons with disabilities were recruited (Table XI.6).

Prevention of Sexual Harassment of Women at the Workplace

XI.29 The formal grievance redressal mechanism for prevention of sexual harassment of women at the workplace, which has been in place since 1998, was further strengthened with the issue of a new comprehensive set of guidelines in 2014-15 in accordance with the Sexual Harassment of

Women at Workplace (Prohibition, Prevention and Redressal) Act and Rules, 2013. One complaint was received and resolved during 2017.

XI.30 During the year, a number of awareness programmes were organised for employees at various ROs about the mechanisms in place at the Bank and also for sensitising the staff regarding these matters. Workshops on awareness on prevention of sexual harassment were organised for newly recruited officers and assistants. In addition, the Bank's training establishments conducted sessions that focused on gender sensitisation during the induction programme for newly recruited officers/staff. RBSC, Chennai has been conducting gender sensitisation programmes for members of complaints committees as well.

Table XI.5: Total Strength of Ex-servicemen and PWD*

Category	Total Strength	PWD (Persons with Disabilities)					Total
		Ex-servicemen (ESM)	Visually Impaired (VI)	Hearing Impaired (HI)	Orthopedically Handicap (OH)	Total	
1	2	3	4	5	6	7	
Class I	6955	194	28	11	143	182	
Class III	3831	201	21	5	48	74	
Class IV	3999	505	4	7	64	75	
Total	14785	900	53	23	255	331	

*: End December 2017.

Source: RBI.

Table XI.6: Recruitment of Ex-servicemen and Persons with Disabilities made during 2017

Category	Total Strength	Ex-servicemen (ESM)	PWD (Persons with Disabilities)				Total
			Visually Impaired (VI)	Hearing Impaired (HI)	Orthopedically Handicap (OH)	Total	
1	2	3	4	5	6	7	
Class I	13	6	4	1	2	7	
Class III	19	12	4	0	3	7	
Class IV	10	10	0	0	0	0	
Total	42	28	8	1	5	14	

Source: RBI.

A training programme for Counsellors was also organised by RBSC, Chennai.

Right to Information (RTI)

XI.31 The Bank received 15,425 requests for information and 1,383 appeals under the RTI Act during 2017-18. During the year, one training programme on RTI Act was also conducted.

Portal for Retired Employees

XI.32 A portal for retired employees of the Bank was created and operationalised from January 1, 2018 as part of the Enterprise Knowledge Portal (EKP) to help the retired employees stay in touch with developments in the Bank that might have a direct impact on them.

Appointment of Chief Financial Officer (CFO)

XI.33 The Bank has appointed a Chief Financial Officer (CFO) who will supervise the working of departments that deal with government transactions and revenue collection, formulation of budget, collecting of inputs and comparing the Bank's actual performance *vis-à-vis* budget estimates, as also developing strategies to counter/mitigate financial risks. The CFO will also be responsible for accurate and timely presentation and reporting of financial information of the Bank. In addition to the established accounting policies and procedures, the CFO will oversee compliance of financial regulations and standards.

Agenda for 2017-18: Implementation Status

XI.34 Keeping in mind the increasingly important role being played by social media, a suitable policy regarding the use of social media by staff members has been put in place.

XI.35 As part of initiatives taken to implement the vision document for sports, sportspersons in the

zone of excellence were provided with mentors for guidance.

Agenda for 2018-19

XI.36 Introducing a mid-career mandatory training programme for officers in select grades is envisaged. A well-defined policy on succession planning is also being formulated.

**ENTERPRISE-WIDE RISK MANAGEMENT
(ERM) IN THE RESERVE BANK**

XI.37 With a view to developing an integrated assessment and management of the risks faced by the Reserve Bank in accordance with its articulated risk policies, an enterprise-wide risk management (ERM) framework was adopted in February 2012, marking a move from a 'silo based' approach to a 'whole-of-business' perspective to risk management in the Reserve Bank.

Agenda for 2017-18: Implementation Status

Development of Staggered Surplus Distribution Policy of the Bank

XI.38 A historical analysis of the Reserve Bank's economic capital (EC) levels suggested a discernible cyclical trend in the Bank's EC on account of volatility in market forces. The volatility in the valuation buffers is on account of not only market dynamics but also the Bank's public policy objectives, which necessitate maintaining, *inter alia*, a very large open forex position. With a view, therefore, towards reducing the impact of cyclicity, while putting in place a rule-based methodology for determining the provisioning requirements and consequently, the available transferable surplus to the Government of India, an alternative rule based approach, *viz.*, the Staggered Surplus Distribution Policy (SSDP) has been put in place (Box XI.1).

Box XI.1 Surplus Distribution Policy in Central Banks: An Overview

It is in the public interest that a central bank should continue to perform its public policy functions effectively even during times of extreme stress. A central bank, therefore, requires a minimum level of confidence regarding its financial strength and the resources at its disposal which will allow it to effectively discharge its functions even during crises. The surplus distribution policy adopted by a central bank is one of the key elements that can determine its financial strength.

Major factors determining surplus distribution

The same approach for surplus distribution cannot be applied across central banks considering the varied political and economic environment under which they operate. Other considerations which necessitate different distribution policies are the varying levels of risk exposures of the central banks as well as the availability of risk transfer mechanisms between the central banks and their stakeholders. The risk transfer mechanism may also not be effective if a particular stakeholder's finances are also under stress during a crisis.

Various approaches adopted for surplus transfer

A cross country analysis of the surplus distribution policy of central banks by scrutinising publicly available information

reveals that central banks can be classified predominantly into the following categories of surplus distribution:

- a) Surplus retention is based on a target level of provisions to be achieved. A few central banks also follow accelerated surplus retention based on a target level of provisions in case where the target is not met.
- b) Retention of surplus is based on a numerical rule linked to the surplus of the current year.
- c) Surplus smoothening wherein it is ensured that regular surplus may be transferred to the government and that the surplus transfer is not affected by the cyclical nature of the provisions of the central bank.

Desirable characteristics of a Surplus Distribution Policy

The provisioning requirements of a central bank should be linked to a target level of financial resilience to be achieved/maintained. In the case of central banks where the distribution arrangements result in continuous substantial transfers without considering the overall level of provisions and risk transfer mechanisms, the financial strength of the central bank may progressively weaken. Further, if a central bank maintains unrealised valuation gains on its balance sheet, these are predominantly taken as non-distributable. The distribution policy should also bring about smoothening of surplus transfer to the government.

Completion of Risk Registers

XI.39 The Risk Register (RR) is a comprehensive inventory of all the processes/sub-processes inherent in the functioning of a Business Area (BA) as well as all their identifiable risks. The preparation of RRs for each BA of the Reserve Bank is almost over, and upon finalisation of all of them, a composite view of the risk profile of the entire Bank would be available. This will enable the roll out of a Risk Tolerance Framework for the Reserve Bank. As RBIs are now being conducted using the RRs through Audit Management and Risk Monitoring System (AMRMS), it has enabled greater convergence of risk assessment by the internal audit function with that of the risk

monitoring function through its Risk Assessment Methodology for Operational Risk.

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Rollout of the Risk Tolerance Framework

XI.40 The four major components of the Risk Tolerance Framework (RTF) are: a) articulation of risk tolerance statement, b) review of risk tolerance limits, c) implementation of integrated risk reporting framework, and d) reviewing roles and responsibilities under the RTF.

XI.41 The risk philosophy of the Bank in the form of Risk Tolerance Statement has been articulated. The other three components are being implemented for creating a consistent, comprehensive and integrated risk framework.

Action Plan for Mitigating High and Significant Risks

XI.42 The department is working with other business areas on action plans for mitigating their high and significant risk in their respective RRs. The development of a computerised web-based risk monitoring software which is being taken up during the year will greatly strengthen this process.

**INTERNAL AUDIT/INSPECTION IN THE
RESERVE BANK**

XI.43 Internal audit/inspection exercises undertaken by the Inspection Department of the Reserve Bank provide risk assurance to the top management and the Central Board. The inspections are conducted under the Risk Based Internal Audit (RBIA) framework in which internal control and governance processes are examined. The Inspection Department is also the Secretariat to the Audit and Risk Management Sub-Committee (ARMS) of the Central Board as also to the Executive Directors' Committee (EDC) overseeing the internal audit function.

Agenda for 2017-18: Implementation Status

XI.44 The automation of the audit process commenced with the roll out of the RBIA module in AMRMS in July 2017, which is running successfully across all offices of the Bank. The RBIA compliance module for all the auditee offices was also successfully implemented and went live in August 2017. The automation of the RBIA process has facilitated convergence of risk rating as per the Risk Assessment Methodology – Operational Risk (RAM-OR) and the Inspection Department's methodology to a greater extent. During the year, the user training of all auditee offices in North, South, East and Western Zone was successfully completed.

XI.45 The audit report of the Vulnerability Assessment and Penetration Testing (VA-PT)/ Technology Audit of Data Centres and CBS Application (including e-Treasury module) which was conducted in 2016 was closed and the Compliance Audit of the same was carried out to examine the sustenance of the action taken by the Business Owner Department with regard to the audit observations (Box XI.2).

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XI.46 After the successful roll-out of the RBIA module of AMRMS application, the other two major functionalities related to Concurrent Audit (CA) and Control Self-Assessment Audit (CSAA) would be implemented across all offices of the Bank. VA-PT/Technology Audit of select critical IT applications would also be carried out, as required.

**CORPORATE STRATEGY AND BUDGET
MANAGEMENT**

XI.47 The Corporate Strategy and Budget Department (CSBD) coordinates and develops strategies and annual action plans for the Bank. Thereupon, completion status of action points is assessed as at the end of each quarter to ensure that the action is completed in a time-bound manner. The Department also formulates the annual budget of the Reserve Bank by adopting activity based budgeting, taking into account the annual action plans of the business units in the context of priorities and timelines. The expenditure by the business units is also reviewed every quarter to ensure budget discipline.

XI.48 The department also holds the responsibility for managing business disruptions through Business Continuity Plans (BCPs). The department has devised and set up robust BCPs with a view to creating a resilient framework for managing disruptions efficiently.

Box XI.2

Vulnerability Assessment and Penetration Testing (VA-PT) of Critical IT Infrastructure in the Bank

The Inspection Department carries two types of audits in the information systems area in the Bank to provide IT risk assurance. First, the Information Systems (IS) audit is carried out by internal resources as part of the RBIA framework to evaluate risk control measures in Information Systems as per the IS Policy of the Bank. The scope of the IS audit is limited mostly to audit observations around the IT systems and does not cover in detail the various vulnerabilities in terms of network, operating systems (OS), database or application functionalities.

Secondly, to address the latter issues the department also carries out Vulnerability Assessment and Penetration Testing (VA-PT) and Technology Audit of IT applications, operating systems, database, network resources, *etc.* to achieve a complete vulnerability analysis of these systems running in the Bank. VA-PT identifies the vulnerabilities which are present that can be exploited by the external or internal hackers to cause damage to the Bank's IT assets. Penetration tests attempt to exploit the vulnerabilities in a system to determine whether unauthorised access or other malicious activity is possible and identify flaws that pose a threat to the application. Penetration tests find exploitable flaws and measure the severity of such flaws/breaches.

The exercise is carried out either on the directions of the Central Board/Audit and Risk Management Sub-Committee (ARMS)/Information Technology Sub Committee (ITSC)/top management or on receipt of a request from the Business Owner Departments/User

Departments/Department of Information Technology (DIT), CO or as felt necessary by the department considering the criticality/importance of operations/systems.

The Bank generally outsources the conduct of VA-PT to an external audit firm from the Bank empanelled (CERT-In enlisted) list of audit firms to identify and classify vulnerabilities, which enables the IT security team of the Bank to focus on mitigating critical vulnerabilities.

The VA-PT of network resources, OS and databases at data centres were earlier carried out. The exercise assessed the overall health of the IS security at RBI in terms of network security, physical and logical access control, servers, OS and database security. Identifying and addressing the vulnerabilities of the critical applications provides IT risk assurance to the Bank.

During 2016-17, VA-PT of Video Conferencing System and NG-RTGS System were also carried out to identify and address the vulnerabilities, if any, associated with both the systems.

After the closure of the Audit Report of VA-PT/Technology Audit of Data Centres, Compliance Audit of the same was carried out during May 2018 to evaluate and get an assurance about the quality, adequacy and sustenance of the compliance.

During 2018-19, the department would continue to carry out VA-PT of important IT assets covering critical IT applications, OS, databases, network resources, *etc.* of the Bank.

Agenda for 2017-18: Implementation Status

XI.49 The department scrupulously monitored execution of activity-driven budgets of all accounting units. The department had prepared Business Continuity Management (BCM) policy of the Bank, which was approved by the Central Board. In addition, the BCPs for each of the Central Office Departments (CODs), ROs and Training Establishments (TEs) were being

finalised by the department in consultation with the respective business units. The department, besides organising the meetings of the governing boards of the external funded institutions (EFIs), *viz.*, IGIDR, CAFRAL, NIBM and IIBM and their sub-committees, had also actively participated in the reconstitution of the Governing Board of the NIBM. Further, the department facilitated meetings and prepared the reports of the Review Committees for IIBM, IGIDR and CAFRAL, which

were constituted to assess their performance and develop future plans. The reports of these Committees are being examined. During the year, the offices at Gangtok, Agartala and Shillong were upgraded to independent accounting units.

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XI.50 The department's agenda for the coming year includes establishing linkages between the strategic action points of the CODs and their budgets, developing control functions to minimise the gap between targets and their actual realisation – both in terms of action and budget. In this direction, Medium Term Vision Statement of the Bank will be prepared during the year. To strengthen the BCM in the Bank, a depository of lessons learnt from various crisis situations will be developed and the important learnings from the same will be disseminated to all the stakeholders to improve the BCM.

CORPORATE SERVICES

Agenda for 2017-18: Implementation Status

XI.51 To facilitate the implementation of the Electronic Documents Management System (EDMS) project by Department of Information Technology (DIT), necessary groundwork has been done to strengthen/reinforce compliance with the Records Management Policy (RMP) by enhanced monitoring through Risk Based Internal Audit and Control Self-Assessment Audit. Outdated records, as per the current stipulations on preservation period of records, are being weeded out. Preservation periods of records are also being reviewed. The department is coordinating with the RBI Archives to get the Records Management Policy reviewed.

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XI.52 With regard to the EDMS project, the policy measures pertaining to the preservation period of records as well as the records to be preserved will be enunciated.

RAJBHASHA

XI.53 The Reserve Bank continued its efforts to ensure compliance of statutory provisions of the Official Languages Act to promote the use of Hindi in its working during 2017-18.

Agenda for 2017-18: Implementation Status

XI.54 During the year, 80 staff members passed the *Pragya*¹ and 230 passed the *Parangat*² examination. In order to enhance use of Hindi on computers, staff members were trained to work in Hindi on computers. To increase the use of Hindi in noting and correspondence, 151 workshops were conducted across the Bank which included Hindi workshops conducted for senior officers at CODs and RO levels. 'Hindi Fortnight' was celebrated in all the ROs and CODs and several Hindi competitions were conducted.

XI.55 For learning Hindi through regional languages, teaching material was prepared in Gujarati and Marathi. Such material has already been prepared for eight other languages (Tamil, Malayalam, Kannada, Telugu, Oriya, Bangla, Assamese and Konkani) of Region 'C'. Besides, teaching material for learning regional languages (Bangla, Kannada, Oriya, Tamil, Telugu and Malayalam) through Hindi medium was also prepared for the officers on transfer to Region 'C' in order to help them communicate in local languages. A conference for Rajbhasha Officers was organised during April 13-15, 2018.

¹ The examination is conducted for those who do not have working knowledge of Hindi.

² The highest examination to acquire proficiency in Hindi.

Training

XI.56 Rajbhasha Officers were imparted training in Management Development Programme to enhance their skills. Apart from this, a translation workshop was conducted at the Reserve Bank Staff College, Chennai regarding translation of legal documents, financial and banking terminologies.

XI.57 A book in Hindi titled '*Banking Kal, Aaj Aur Kal*' was published during the year. The Bank's Hindi journal, *Banking Chintan Anuchintan*, received a Silver Award from the Association of Business Communicators of India (ABCI). The statutory publications of the Bank, viz., *Annual Report* and *Report on Trend and Progress of Banking in India*, the *Financial Stability Report*, *Weekly Statistical Supplement* and monthly *Reserve Bank of India Bulletin* were also published in bilingual form and are available on the Bank's website. *Rajbhasha Samachar*, along with its e-version, and *Annual Rajbhasha Report*, covering the progressive use of Hindi in the Bank were published.

Incentives

XI.58 An incentive scheme for academia, for writing outstanding books in Hindi on banking, with an award of ₹1.25 lakh (Rupees one lakh twenty five thousand only) is in vogue to encourage writers. During the year, an All-India Hindi essay writing competition as well as Hindi/Bilingual House Magazine competition were held for the public sector banks and financial institutions.

Visit of Parliamentary Committee

XI.59 The Committee of Parliament on Official Language (Third Sub-Committee) visited the

RO of the Reserve Bank at Jaipur on February 12, 2018 to inspect and review the status of implementation of Rajbhasha policy. The Sub-Committee has suggested further measures for promoting the usage of Hindi in the Bank and has also expressed that intensive efforts may be undertaken for the implementation of official language in all spheres of the Bank.

Agenda for 2018-19

XI.60 An annual work plan for 2018-19 has been prepared keeping in view the requirements of the Annual Programme published by the Government of India and the issues raised by the Committee of Parliament on Official Language. Apart from this, implementation of all the modules of the new *Rajbhasha Reporting System* is another agenda for 2018-19.

PREMISES DEPARTMENT

XI.61 The remit of the Premises Department encompasses creating, maintaining and upgrading the Reserve Bank's physical infrastructure. In 2017-18, significant developments have taken place in this direction including the initiation of new activities.

Agenda for 2017-18: Implementation Status

XI.62 During the year, the Premises Department completed the process of acquisition of land for construction of office buildings at two centres where the Reserve Bank was functioning from rented premises. Construction of officers' quarters along with common amenities has been taken over partly at one centre and completed at another centre. Work related to construction of infrastructural facilities for CAFRAL and residential quarters at four centres has commenced.

XI.63 Another focus area of the department has been the use of renewable energy in the form of solar power in all the premises of the Bank. Grid interactive solar power generation facilities have been installed for enhancing capacity in various premises and the total power generation capacity has reached a level of 972 kwp. For conservation of water and its efficient use, rainwater harvesting plants have been installed in various premises of the Bank.

XI.64 With a view to promoting e-governance, in line with the Central Vigilance Commission (CVC) guidelines, e-tendering which was introduced last year has since stabilised during the year. During 2017-18, the department strengthened perimeter security in the Bank by operationalising state of the art Internet Protocol based CCTV (IPCCTV) system in 20 office buildings and also completed installation of Integrated Security System (ISS) in the Central Office building, Mumbai. The ISS provides for integration of various existing and new physical security systems such as Fire Alarm System, X-Ray Baggage Scanners, Crash Rated Barrier, Lift Monitoring System and Staircase Pressurisation System with the IPCCTV system.

Agenda for 2018-19

XI.65 Land acquisition formalities for office buildings and residential purposes are ongoing at two centres. Construction of office buildings at three centres and residential colonies at another centre is expected to commence during 2018-19. Residential colonies at four other centres have also been planned. Steps have already been taken for construction of a holiday home and reconstruction of a residential colony. During 2018-19, concrete steps for further conservation of water and electricity across all premises have been envisaged as part of the green initiative.

REGIONAL OFFICES

XI.66 The ROs of the Reserve Bank serve as frontal agencies for fulfilment of various objectives that the Bank seeks to achieve. While the policy making role is mainly confined to the Bank's Central Office located in Mumbai, the ROs and the sub-offices at 31 locations across the country strive to implement these policies. A typical RO of the Bank is primarily responsible for ensuring the availability and quality of currency and coinage in circulation; conducting supervision of the assigned regulated entities such as commercial banks, UCBs and NBFCs; promoting financial inclusion and financial literacy; and managing the grievance redressal mechanism. An officer in Grade 'F' is generally placed as the in-charge of the RO and s/he is designated as the Regional Director (RD). The RD is supported by a cohort of staff across various grades. Some of the smaller ROs are headed by an officer in Grade 'E', who is designated as Officer-In-Charge.

XI.67 Since May 2015, offices of the Reserve Bank have been categorised into three tiers (Tier I – Metro cities, Tier II – Non-metro cities and Tier III – Small offices). Tier I and II offices have departments organised under four clusters: (i) Supervision, Market Intelligence and Research; (ii) Currency and Banking Services; (iii) Financial Inclusion and Customer Service; and (iv) Human Resource Management (HRM) and Infrastructure while Tier III offices have departments organised under three clusters: (i) Supervision and Market Intelligence; (ii) Financial Inclusion/Financial Literacy, Public Awareness, Customer Service, and Research; and (iii) HRM and Infrastructure. Market Intelligence Units/Cells have also been created at offices to enable identification of new trends in the financial sector as also to help the

Bank in picking up early warnings on unscrupulous practices followed by financial institutions and detecting threats that such activities may pose to the public.

XI.68 Some of the major functions of the ROs are highlighted below:

- a) Department of Banking Supervision (DBS) at ROs is responsible for the conduct of onsite inspections of the head offices of the banks present in the state along with the scrutiny of bank branches. The officers of the department also regularly undertake 'incognito visits' to the branches of banks to make an independent assessment of the level of customer service provided by the banks in the areas of normal banking services, currency management, forex and government business.
- b) Financial Inclusion and Development Department (FIDD) at ROs is mainly responsible for implementation and monitoring of the Lead Bank Scheme in the states. The department also monitors the implementation of various instructions and guidelines issued to banks by FIDD, Central Office.
- c) Department of Non-Banking Supervision (DNBS) at ROs is responsible for the conduct of quarterly inter-agency State Level Co-ordination Committee meetings in their respective states. In addition, the department conducts investor awareness campaigns through print and electronic media and also participates in national and international trade fairs. Awareness campaigns are aimed at educating about fictitious emails and sms in circulation among members of the public regarding 'illegal mobilisation of deposits by unscrupulous entities', 'offers of cheap funds from abroad', etc. Apart from this, the department also provides faculty support to police authorities, Economic Offences Wing (EOW), etc., to spread financial awareness about illegal mobilisation of deposits by unauthorised entities.
- d) Issue Department at ROs helps in managing availability and quality of currency in the respective issue circles. The department also takes proactive steps in its endeavour to disseminate information among common people, bankers and enforcement agencies on issues related to currency such as basic features of currency, Note Refund Rules and Fake Indian Currency Notes (FICN) by conducting training programmes or deputing resource persons to other institutions for conducting such training programmes.
- e) Consumer Education and Protection Cell (CEPC) at ROs operates a Grievance Redressal Mechanism for deficiency of services provided by the Reserve Bank and the Reserve Bank's regulated entities at regional level.
- f) Department of Cooperative Banking Supervision (DCBS) at ROs carries out both onsite inspections and off-site surveillance of UCBs with a view to ensuring that these banks function on sound lines in accordance with the statutory provisions and in a manner which is not detrimental to the interests of depositors. Issues pertaining to the UCBs are taken up by the ROs at the state-level Task Force for Co-operative Urban Banks (TAFUCB).
- g) Foreign Exchange Department (FED) at ROs ensures that foreign exchange related transactions are carried out in accordance

with the extant instructions. It determines and levies penalties for contraventions, if any, as per provisions of the Foreign Exchange Management Act. It also conducts inspection of Authorised Dealers (Category-II) and Full Fledged Money Changers.

- h) Banking Department at ROs handles obligations of the Reserve Bank as a banker to banks and to the respective State Government/s.

XI.69 Most of the ROs of the Reserve Bank also house the office of the Banking Ombudsman which operates the Banking Ombudsman Scheme (BOS) as a means to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services provided by commercial banks, regional rural banks and scheduled primary co-operative banks.

**Table 1: Attendance in the Meeting of the Central Board of Directors during
July 01, 2017-June 30, 2018**

Name of the Member	Appointed/Nominated under RBI Act, 1934	No. of Meetings Held	No. of Meetings Attended
1	2	3	4
Urjit R. Patel	8(1)(a)	6	6
S. S. Mundra	8(1)(a)	1	1
N. S. Vishwanathan	8(1)(a)	6	6
Viral V. Acharya	8(1)(a)	6	6
B. P. Kanungo	8(1)(a)	6	6
M. K. Jain	8(1)(a)	NIL	NIL
Nachiket M. Mor	8(1)(b)	4	4
Prasanna Kumar Mohanty	8(1)(b)	2	2
Dilip S. Shanghvi	8(1)(b)	2	2
Natarajan Chandrasekaran	8(1)(c)	6	4
Bharat N. Doshi	8(1)(c)	6	6
Sudhir Mankad	8(1)(c)	6	6
Rajiv Kumar	8(1)(c)	2	2
Ashok Gulati	8(1)(c)	6	5
Manish Sabharwal	8(1)(c)	6	6
Shaktikanta Das	8(1)(d)	1	0
Subhash Chandra Garg	8(1)(d)	5	4
Anjuly Chib Duggal	8(1)(d)	2	0
Rajiv Kumar	8(1)(d)	4	3

**Table 2: Attendance in the Meeting of the Committees of the Central Board
during July 01, 2017-June 30, 2018**

Name of the Member	Appointed /Nominated under RBI Act,1934	No. Meetings Held	No. of Meetings Attended
1	2	3	4
I. Committee of the Central Board (CCB)			
Urjit R. Patel	8(1)(a)	46	37
S. S. Mundra	8(1)(a)	3	3
N. S. Vishwanathan	8(1)(a)	46	29
Viral V. Acharya	8(1)(a)	46	42
B. P. Kanungo	8(1)(a)	46	40
M. K. Jain	8(1)(a)	1	1
Nachiket M. Mor	8(1)(b)	21	17
Natarajan Chandrasekaran	8(1)(c)	19	8
Bharat N. Doshi	8(1)(c)	32	29
Sudhir Mankad	8(1)(c)	22	18
Ashok Gulati	8(1)(c)	21	12
Rajiv Kumar	8(1)(c)	3	0
Manish Sabharwal	8(1)(c)	23	19
Prasanna Kumar Mohanty	8(1)(b)	6	6
Dilip S. Shanghvi	8(1)(b)	7	7
Subhash Chandra Garg	8(1)(d)	2	2
Rajiv Kumar	8(1)(d)	1	1
II. Board for Financial Supervision (BFS)			
Urjit R. Patel	Chairman	10	9
S. S. Mundra*	Vice-Chairman	NIL	NIL
N. S. Vishwanathan^	Vice-Chairman	10	10
Viral V. Acharya	Member	10	10
B. P. Kanungo	Member	10	8
M. K. Jain@	Member	1	1
Nachiket M. Mor**	Member	9	9
Bharat N. Doshi	Member	10	10
Sudhir Mankad	Member	10	7
Ashok Gulati	Member	10	8
* : Relinquished charge as Deputy Governor on the forenoon of July 31, 2017. ^ : Serving as Vice-chairman of BFS from August 30, 2017 onwards. ** : Appointed as Member of BFS from September 09, 2017 onwards. @ : Took charge as Deputy Governor from June 22, 2018.			
III. Board for Regulation and Supervision of Payment and Settlement Systems (BPSS)			
Urjit R. Patel	Chairman	3	3
B. P. Kanungo	Vice-Chairman	3	3
S. S. Mundra*	Member	1	1
N. S. Vishwanathan	Member	3	2
Viral V. Acharya	Member	3	2
M. K. Jain**	Member	NIL	NIL
Natarajan Chandrasekaran	Member	3	3
Manish Sabharwal	Member	3	2
* : Relinquished charge as Deputy Governor on the forenoon of July 31, 2017. ** : Took charge as Deputy Governor from June 22, 2018.			

**Table 3: Attendance in the Meeting of the Sub-Committees of the Board
during July 01, 2017-June 30, 2018**

Name of the Member	Appointed/Nominated under RBI Act, 1934	No. of Meetings Held	No. of Meetings Attended
1	2	3	4
I. Audit & Risk Management Sub-Committee (ARMS)			
Bharat N. Doshi	Chairman	8	8
Sudhir Mankad	Member	8	5
Nachiket M. Mor *	Member	6	5
S. S. Mundra**	Invitee	1	0
N. S. Vishwanathan	Member	8	8
Viral V. Acharya	Invitee	8	7
B. P. Kanungo	Invitee	8	8
M. K. Jain	Invitee	1	1
* : Ceased to be a Member of ARMS on expiry of his term as Director of the Central Board on May 15, 2017 and subsequently was re-nominated to ARMS on his being re-appointed / re-nominated as Director of the Central Board on August 24, 2017. ** : Relinquished charge as Deputy Governor on the forenoon of July 31, 2017.			
II. Building Sub-Committee (BSC)			
Dilip S. Shanghvi	Chairman	1	1
Rajiv Kumar*	Chairman	NIL	NIL
B. P. Kanungo**	Member	1	1
M. K. Jain@	Member	NIL	NIL
* : Till September 3, 2017. ** : Till June 21, 2018. @ : With effect from June 22, 2018.			
III. Human Resource Management Sub-Committee (HRM-SC)			
Manish Sabharwal	Chairman	5	5
Dilip S. Shanghvi	Member	2	2
S. S. Mundra*	Member	NIL	NIL
Viral V. Acharya@	Member	5	5
* : Till the forenoon of July 31, 2017. @ : With effect from July 31, 2017.			
IV. Information Technology Sub-Committee (IT-SC)			
Manish Sabharwal@	Chairman	NIL	NIL
Natarajan Chandrasekaran*	Chairman	NIL	NIL
Rajiv Kumar**	Member	NIL	NIL
B. P. Kanungo	Member	NIL	NIL
* : Chairman till June 6, 2018. ** : Till September 3, 2017. @ : Chairman with effect from June 7, 2018.			

Table 4: Attendance in the Meeting of Standing Committee of the Central Board of Directors during July 01, 2017-June 30, 2018

Name of the Member	No. of Meetings Held	No. of Meetings Attended
1	2	3
B. P. Kanungo, Chairman	1	1
Ashok Gulati*	1	1
Prasanna Kumar Mohanty**	NIL	NIL
* : For Northern Local Area. ** : For Southern Local Area.		

Table 5: Attendance in the Meetings of Local Boards during July 01, 2017-June 30, 2018

Name of the Member	Appointed/Nominated under RBI Act, 1934	No. of Meetings Held	No. of Meetings Attended
1	2	3	4
Nachiket M. Mor, EALB	Section 9(1)	4	4
Sunil Mitra, EALB	Section 9(1)	4	4
V. R. Bhanshali, WALB	Section 9(1)	3	3
Dliip S. Shanghvi, WALB	Section 9(1)	3	3
EALB: Eastern Area Local Board. WALB: Western Area Local Board.			