

XII

THE RESERVE BANK'S ACCOUNTS FOR 2018-19

The balance sheet size of the Reserve Bank increased by 13.42 per cent for the year ended June 30, 2019. While income for the year 2018-19 increased by 146.59 per cent, the expenditure decreased by 39.72 per cent. The year ended with an overall surplus of ₹1,759.87 billion as against ₹500 billion in the previous year, representing an increase of 251.97 per cent.

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 2018-19 (July - June) are set out in the following paragraphs.

XII.2 There was an increase in the size of the Bank's balance sheet during 2018-19. The balance sheet increased by ₹4,853.11 billion, i.e. 13.42 per cent from ₹36,175.94 billion as on June 30, 2018 to ₹41,029.05 billion as on June 30, 2019. The increase on the asset side was due to increase in domestic and foreign investments by 57.19 per cent and 5.70 per cent, respectively and increase in gold by 16.30 per cent. On the liability side, the increase was due to increase in Notes issued, Other Liabilities and Provisions, and Deposits by 13.43 per cent, 11.10 per cent and 17.21 per cent, respectively. Domestic assets constituted 28.03 per cent while the foreign currency assets and gold (including gold held in India) constituted 71.97 per cent of total assets as on June 30, 2019 as against 23.18 per cent and 76.82 per cent, respectively as on June 30, 2018.

XII.3 The Bank had developed the Economic Capital Framework (ECF) between 2014-15 and 2015-16 as an objective, rule-based, transparent methodology for determining the appropriate level

of risk provisions to be made under the provisions of Section 47 of the RBI Act, 1934. Subsequent to the meeting of the Reserve Bank's Central Board held on November 19, 2018, the Reserve Bank, in consultation with the Government of India, constituted an Expert Committee to review the extant ECF of the Reserve Bank under the Chairmanship of Dr. Bimal Jalan, the former Governor. The Committee has since submitted its report to the Governor of the Reserve Bank. The Central Board in its meeting held on August 26, 2019, after deliberating on the report, accepted all the recommendations of the Committee and finalised the Reserve Bank's accounts for 2018-19 using the revised framework to determine risk provisioning and surplus transfer. As the Reserve Bank's financial resilience was within the desired range, the excess risk provision amounting to ₹526.37 billion was written back from Contingency Fund (CF) to income.

XII.4 Further, provision was made towards Asset Development Fund (ADF) amounting to ₹0.64 billion on account of fresh investments by the Reserve Bank in National Centre for Financial Education (NCFE) and Indian Financial Technology and Allied Services (IFTAS).

XII.5 The surplus before the above adjustments amounted to ₹1,234.14 billion. Consequent to the said adjustments, the surplus transferable to Government of India was ₹1,759.87 billion (including ₹280 billion already transferred to the Government of India during the year).

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

(₹ billion)

Item	2014-15	2015-16	2016-17	2017-18	2018-19
1	2	3	4	5	6
a) Income	792.56	808.70	618.18	782.81	1,930.36
b) Total Expenditure ¹	133.56 ²	149.90 ³	311.55 ⁴	282.77 ⁵	170.45 ⁶
c) Net Disposable Income (a-b)	659.00	658.80	306.63	500.04	1,759.91
d) Transfer to funds ⁷	0.04	0.04	0.04	0.04	0.04
e) Surplus transferred to the Government (c-d)	658.96	658.76	306.59	500.00	1,759.87

Note: 1. Since June 30, 2015, transfers to CF and ADF are being made through provisions head in Income Statement.
2. Includes a provision of ₹10 billion towards additional capital contribution in NHB.
3. Includes a provision of ₹10 billion towards additional capital contribution in BRBNMPL.
4. Includes a provision of ₹0.50 billion towards capital contribution in the Reserve Bank's subsidiary Reserve Bank Information Technology (P) Ltd. (ReBIT) and a provision of ₹131.40 billion towards transfer to CF.
5. Includes a provision of ₹141.90 billion towards transfer to CF.
6. Includes a provision of ₹0.64 billion towards transfer to ADF.
7. An amount of ₹10 million 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.6 The trends in income, expenditure, net disposable income and the surplus transferred to the Government of India are given in Table XII.1.

XII.7 The balance sheet and the Income Statement for the year 2018-19 along with the schedules, statement of Significant Accounting Policies and supporting Notes to Accounts are as follows:

**RESERVE BANK OF INDIA
BALANCE SHEET AS ON JUNE 30, 2019**

(Amount in ₹ billion)

Liabilities	Schedule	2017-18	2018-19	Assets	Schedule	2017-18	2018-19
Capital		0.05	0.05	Assets of Banking Department (BD)			
Reserve Fund		65.00	65.00	Notes, Rupee Coin, Small Coin	5	0.09	0.09
Other Reserves	1	2.28	2.30	Gold Coin and Bullion	6	696.74	882.98
Deposits	2	6,525.97	7,649.22	Investments-Foreign-BD	7	7,983.89	6,964.53
Other Liabilities and Provisions	3	10,463.04	11,624.51	Investments-Domestic-BD	8	6,297.45	9,898.77
				Bills Purchased and Discounted		0.00	0.00
				Loans and Advances	9	1,638.55	931.87
				Investment in Subsidiaries	10	33.70	19.64
				Other Assets	11	405.92	643.20
Liabilities of Issue Department				Assets of Issue Department (ID)			
Notes issued	4	19,119.60	21,687.97	Gold Coin and Bullion (as backing for Note issue)	6	743.49	792.04
				Rupee Coin		9.26	8.28
				Investments-Foreign-ID	7	18,366.85	20,887.65
				Investments-Domestic-ID	8	0.00	0.00
				Domestic Bills of Exchange and other Commercial Papers		0.00	0.00
Total Liabilities		36,175.94	41,029.05	Total Assets		36,175.94	41,029.05

Nirmal Chand
Chief General
Manager-in-Charge

M. K. Jain
Deputy Governor

B.P. Kanungo
Deputy Governor

N. S. Vishwanathan
Deputy Governor

Shaktikanta Das
Governor

RESERVE BANK OF INDIA
INCOME STATEMENT FOR THE YEAR ENDED JUNE 2019

(Amount in ₹ billion)

INCOME	Schedule	2017-18	2018-19
Interest	12	738.71	1,068.37
Other income	13	44.10	861.99
Total		782.81	1,930.36
EXPENDITURE			
Printing of Notes		49.12	48.11
Expenditure on Remittance of Currency		1.15	0.88
Agency Charges	14	39.03	39.10
Employee Cost		38.48	68.51
Interest		0.01	0.01
Postage and Telecommunication Charges		0.87	1.03
Printing and Stationery		0.23	0.22
Rent, Taxes, Insurance, Lighting, etc.		1.27	1.26
Repairs and Maintenance		1.03	0.98
Directors' and Local Board Members' Fees and Expenses		0.02	0.02
Auditors' Fees and Expenses		0.06	0.05
Law Charges		0.09	0.17
Miscellaneous Expenses		8.08	7.97
Depreciation		1.43	1.50
Provisions		141.90	0.64
Total		282.77	170.45
Available Balance		500.04	1,759.91
Less:			
(a) Contribution to:			
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) Transferable to NABARD:			
i) National Rural Credit (Long Term Operations) Fund ¹		0.01	0.01
ii) National Rural Credit (Stabilisation) Fund ¹		0.01	0.01
(c) Others			
Amount transferred to Central Government during the year		100.00	280.00
Surplus payable to the Central Government		400.00	1,479.87

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

Nirmal Chand
Chief General
Manager-in-Charge

M. K. Jain
Deputy Governor

B.P. Kanungo
Deputy Governor

N. S. Vishwanathan
Deputy Governor

Shaktikanta Das
Governor

SCHEDULES FORMING PART OF BALANCE SHEET AND INCOME STATEMENT

(Amount in ₹ billion)

		2017-18	2018-19
Schedule 1:	Other Reserves		
	(i) National Industrial Credit (Long Term Operations) Fund	0.27	0.28
	(ii) National Housing Credit (Long Term Operations) Fund	2.01	2.02
	Total	2.28	2.30
Schedule 2:	Deposits		
	(a) Government		
	(i) Central Government	1.01	1.01
	(ii) State Governments	0.42	0.42
	Sub total	1.43	1.43
	(b) Banks		
	(i) Scheduled Commercial Banks	4,744.18	5,129.26
	(ii) Scheduled State Co-operative Banks	35.20	39.98
	(iii) Other Scheduled Co-operative Banks	84.01	90.29
	(iv) Non-Scheduled State Co-operative Banks	19.15	24.91
	(v) Other Banks	188.41	209.64
	Sub total	5,070.95	5,494.08
	(c) Financial Institutions outside India		
	(i) Repo borrowing - Foreign	0.00	0.00
	(ii) Reverse Repo Margin - Foreign	0.00	0.00
	Sub total	0.00	0.00
	(d) Others		
	(i) Administrators of RBI Employee PF A/c	46.81	46.38
	(ii) Depositors' Education and Awareness Fund	195.67	257.47
	(iii) Balances of Foreign Central Banks	18.80	19.05
	(iv) Balances of Indian Financial Institutions	2.40	2.13
	(v) Balances of International Financial Institutions	3.20	3.38
	(vi) Mutual Fund	0.01	0.01
	(vii) Others	1,186.70	1,825.29
	Sub total	1,453.59	2,153.71
	Total	6,525.97	7,649.22
Schedule 3:	Other Liabilities and Provisions		
	(i) Contingency Fund (CF)	2,321.08	1,963.44
	(ii) Asset Development Fund (ADF)	228.11	228.75
	(iii) Currency and Gold Revaluation Account (CGRA)	6,916.41	6,644.80
	(iv) Investment Revaluation Account-Foreign Securities (IRA-FS)	0.00	157.35
	(v) Investment Revaluation Account-Rupee Securities (IRA-RS)	132.85	494.76
	(vi) Foreign Exchange Forward Contracts Valuation Account (FCVA)	32.62	13.04
	(vii) Provision for Forward Contracts Valuation Account (PFCVA)	0.00	0.00
	(viii) Provision for payables	27.88	22.81
	(ix) Gratuity and Superannuation Fund	175.13	206.10
	(x) Surplus Transferable to the Government of India	500.00	1,759.87
	(xi) Bills Payable	0.05	0.08
	(xii) Miscellaneous	128.91	133.51
	Total	10,463.04	11,624.51

ANNUAL REPORT

		2017-18	2018-19
Schedule 4:	Notes Issued		
	(i) Notes held in the Banking Department	0.09	0.09
	(ii) Notes in circulation	19,119.51	21,687.88
	Total	19,119.60	21,687.97
Schedule 5:	Notes, Rupee Coin, Small Coin (with RBI)		
	(i) Notes	0.09	0.09
	(ii) Rupee Coin	0.00	0.00
	(iii) Small Coin	0.00	0.00
	Total	0.09	0.09
Schedule 6:	Gold Coin and Bullion		
	(a) Banking Department		
	(i) Gold Coin and Bullion	696.74	882.98
	(ii) Gold deposit	0.00	0.00
	Sub Total	696.74	882.98
	(b) Issue Department (as backing for Notes issued)		
		743.49	792.04
	Total	1,440.23	1,675.02
Schedule 7:	Investments- Foreign		
	(i) Investments-Foreign –BD	7,983.89	6,964.53
	(ii) Investments- Foreign-ID	18,366.85	20,887.65
	Total	26,350.74	27,852.18
Schedule 8:	Investments- Domestic		
	(i) Investments –Domestic –BD	6,297.45	9,898.77
	(ii) Investments-Domestic-ID	0.00	0.00
	Total	6,297.45	9,898.77
Schedule 9:	Loans and Advances		
	(a) Loans and Advances to :		
	(i) Central Government	554.35	265.31
	(ii) State Governments	14.93	26.66
	Sub total	569.28	291.97
	(b) Loans and Advances to:		
	(i) Scheduled Commercial Banks	1,006.90	572.00
	(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	0.00
	(vi) Others	62.37	67.90
	Sub total	1,069.27	639.90
	(c) Loans and Advances to Financial Institutions outside India:		
	(i) Repo Lending – Foreign	0.00	0.00
	(ii) Repo Margin - Foreign	0.00	0.00
	Sub total	0.00	0.00
	Total	1,638.55	931.87
Schedule 10:	Investment in Subsidiaries/Associates		
	(i) Deposit Insurance and Credit Guarantee Corporation(DICGC)	0.50	0.50
	(ii) National Housing Bank (NHB)	14.50	0.00
	(iii) National Bank for Agriculture and Rural Development (NABARD)	0.20	0.00
	(iv) Bharatiya Reserve Bank Note Mudran (P) Ltd.(BRBNMPL)	18.00	18.00
	(v) Reserve Bank Information Technology (P) Ltd.(ReBIT)	0.50	0.50
	(vi) National Centre for Financial Education (NCFE)	0.00	0.30
	(vii) Indian Financial Technology & Allied Services (IFTAS)	0.00	0.34
	Total	33.70	19.64

THE RESERVE BANK'S ACCOUNTS FOR 2018-19

		2017-18	2018-19
Schedule 11:	Other Assets		
	(i) Fixed Assets (net of accumulated depreciation)	4.41	6.51
	(ii) Accrued income (a + b)	232.99	330.81
	a. on loans to employees	3.16	3.27
	b. on other items	229.83	327.54
	(iii) Swap Amortisation Account	23.10	0.00
	(iv) Revaluation of Forward Contracts Account (RFCA)	32.62	13.04
	(v) Miscellaneous	112.80	292.84
	Total	405.92	643.20
Schedule 12:	Interest		
	(a) Domestic Sources		
	(i) Interest on holding of Rupee Securities	479.68	583.43
	(ii) Net Interest on LAF Operations	-95.41	10.46
	(iii) Interest on MSF Operations	1.25	1.35
	(iv) Interest on Loans and Advances	7.79	14.98
	Sub total	393.31	610.22
	(b) Foreign Sources		
	(i) Interest Income from Foreign Securities	234.28	278.11
	(ii) Net Interest on Repo / Reverse Repo transaction	0.00	-0.04
	(iii) Interest on Deposits	111.12	180.08
	Sub total	345.40	458.15
	Total	738.71	1,068.37
Schedule 13:	Other Income		
	(a) Domestic Sources		
	(i) Exchange	0.00	0.00
	(ii) Discount	0.00	0.00
	(iii) Commission	20.35	22.72
	(iv) Rent Realised	0.05	0.07
	(v) Profit/Loss on sale and redemption of Rupee Securities	60.36	0.40
	(vi) Depreciation on Rupee Securities inter portfolio transfer	-0.08	-0.27
	(vii) Amortisation of premium/discount of Rupee Securities	31.13	21.45
	(viii) Profit / Loss on sale of Bank's property	0.01	0.01
	(ix) Provision no longer required and Miscellaneous Income	3.67	526.18
	Sub total	115.49	570.56
	(b) Foreign Sources		
	(i) Amortisation of premium/discount of Foreign Securities	-36.08	-15.31
	(ii) Profit/Loss on sale and redemption of Foreign Securities	5.36	16.76
	(iii) Exchange gain/loss from Foreign Exchange transactions	-40.67	289.98
	Sub total	-71.39	291.43
	Total	44.10	861.99
Schedule 14:	Agency Charges		
	(i) Agency Commission on Government Transactions	37.60	38.17
	(ii) Underwriting Commission paid to the Primary Dealers	1.13	0.74
	(iii) Sundries (Handling charges and turnover commission paid to banks for Relief / Savings Bonds subscriptions; SBLA etc.)	0.08	0.02
	(iv) Fees paid to the External Asset Managers, custodians, etc.	0.22	0.17
	Total	39.03	39.10

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, 2019 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 there under so as to exhibit true and correct view of the state of affairs of the Bank.

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 entity 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.

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

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 includes 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 entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity'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 entity's internal 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 entity'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 entity 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

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 Chhaged & Doshi
Chartered Accountants
(ICAI Firm Registration No. 101794W)

For G. P. Kapadia & Co.
Chartered Accountants
(ICAI Firm Registration No. 104768W)

Aruna Dhanesha
Partner
Membership No. 107863

Nimesh Bhimani
Partner
Membership No. 30547

Place: Mumbai

Date: August 26, 2019

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED JUNE 30, 2019

(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.
- b) Management of the monetary system.
- c) Regulation and supervision of banks and Non-Banking Financial Companies (NBFCs).
- d) Acting as the lender of last resort.
- e) Regulation and supervision of the payment and settlement systems.
- 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) Regulation and development of foreign exchange market.
- j) Developmental functions including the areas of rural credit and financial inclusion.

1.3 The Act requires that the issue of Bank notes should be conducted by the 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 unless otherwise stated.

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.

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 the Gold Deposits placed abroad, is revalued on the last business day of the month at 90 per cent of the average of the gold price, quoted daily by the London Bullion Market Association for the month. The rupee equivalent is determined on the basis of the exchange rate prevailing on the last business day of the month. Unrealised gains/ losses are credited/ debited to 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 exchange rates prevailing on the last business day of the week/ month/ year as applicable.

Unrealised gains and losses arising from such translation of foreign currency assets and liabilities are accounted for in CGRA.

Foreign securities, other than Treasury 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 (MTM) as on the last business day of each 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 Contingency Fund and the same is reversed on the first working day of the following accounting year.

Foreign treasury 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 currency assets 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 Bank are revalued on a half yearly basis. While mark to market gain is credited to the ‘Foreign Exchange Forward Contracts Valuation Account’ (FCVA) with contra debit to ‘Revaluation of Forward Contracts Account’ (RFCA), mark to market 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 Contingency Fund 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 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) below are marked to market as on the last business day of each month. The unrealised gains/ losses on revaluation is booked 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 Contingency Fund 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 thereof, lying in IRA-RS, is transferred to income account. Rupee securities and oil bonds are also subjected to daily amortization.
- (b) Treasury 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 (from 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)
1	2
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;
 - Subsequent expenditure incurred on modernization/ 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 amortization.
- Land acquired on lease up to 99 years is amortized over the period of the lease.
- Land acquired on a freehold basis is not subject to any amortisation.

Buildings

- 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 30 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

The 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.8 LIABILITIES OF THE RESERVE BANK

XII.8.1 LIABILITIES OF BANKING DEPARTMENT

i) Capital

The Reserve Bank was constituted as a private shareholders' bank in 1935 with an initial paid-up capital of ₹0.05 billion. The 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 RBI Act, 1934.

ii) 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 Currency and Gold Revaluation Account (CGRA) which appears under 'Other Liabilities and Provisions'.

iii) 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 ₹100 million. The fund witnessed annual contributions from the Reserve Bank for financial assistance to eligible financial institutions. Since 1992-93, a token amount of ₹10 million is being contributed each year to the fund from the Bank's income. The balance in the fund stood at ₹0.28 billion as on June 30, 2019.

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 ₹500 million has been enhanced by annual contributions from the Reserve Bank thereafter. From the year 1992-93, only a token amount of ₹10 million is being contributed each year from the Bank's income. The balance in the fund stood at ₹2.02 billion as on June 30, 2019.

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 ₹10 million each is set aside and transferred to NABARD every year.

iv) 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 (EXIM Bank), NABARD etc., Foreign Central Banks, International Financial Institutions, balances in Administrator of RBI Employees' Provident Fund, Depositor Education and Awareness (DEA) Fund, amount outstanding against Reverse Repo, Medical Assistance Fund (MAF) etc.

Total deposits increased by 17.21 per cent from ₹6,525.97 billion as on June 30, 2018 to ₹7,649.22 billion as on June 30, 2019.

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 the state governments maintain deposits with the Reserve Bank. The balances held by the central and state governments were ₹1.01 billion and ₹0.42 billion, respectively as on June 30, 2019 and June 30, 2018.

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 increased by 8.34 per cent from ₹5,070.95 billion as on June 30, 2018 to ₹5,494.08 billion as on June 30, 2019.

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 48.16 per cent from ₹1,453.59 billion as on June 30, 2018 to ₹2,153.71 billion as on June 30, 2019 primarily due to increase in reverse repo deposits with the Reserve Bank.

v) Other Liabilities and Provisions

The major components of 'Other Liabilities and Provisions' are provisions and revaluation heads. The Contingency Fund (CF) and Asset Development Fund (ADF) represent provisions made for unforeseen contingencies and amount set aside for investment in subsidiaries and internal capital expenditure respectively. The unrealised marked to market gains/losses are recorded in the revaluation heads viz. Currency and Gold Revaluation Account (CGRA), Investment Revaluation Accounts (IRA) - Foreign and Rupee Securities and Foreign Exchange Forward Contracts Valuation Account (FCVA). 'Other Liabilities and Provisions' increased by 11.10 per cent from ₹10,463.04 billion as on June 30, 2018 to ₹11,624.51 billion as on June 30, 2019, primarily due to increase in Investment Revaluation Accounts - Foreign and Rupee Securities and Surplus Transferable to the Government of India.

a. Contingency Fund (CF)

Contingency Fund represents the provision made by the Bank on year-to-year basis. This is 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 Bank. As on June 30, 2019, an excess risk provision of ₹526.37 billion was written back from CF.

Based on the above, the balance in CF as on June 30, 2019 was ₹1,963.44 billion as compared to ₹2,321.08 billion as on June 30, 2018.

b. Asset Development Fund (ADF)

The Asset Development Fund was created in 1997-98 and the balance therein represents provision specifically made till date towards investments in subsidiaries and associate institutions and meet internal capital expenditure. Provision of ₹0.64 billion was made towards new investments in National Centre for Financial Education (NCFE) and Indian Financial Technology and Allied Services (IFTAS). Based on the above, the balance in ADF as on June 30, 2019 was ₹228.75 billion as compared to ₹228.11 billion as on June 30, 2018 (Table XII.2).

c. 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 price. Unrealised gains/losses on valuation of Foreign Currency Assets (FCA) and Gold are not taken to the Income Account but instead recorded in the CGRA. Net balance in CGRA, therefore, varies with the size of the asset base, its valuation, and

Table XII.2: Balances in CF and ADF

(₹ 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
2015	2,216.14*	217.61	2,433.75	8.4
2016	2,201.83*	227.61	2,429.44	7.5
2017	2,282.07#	228.11	2,510.18	7.6
2018	2,321.08@	228.11	2,549.19	7.05
2019	1,963.44\$	228.75	2,192.19	5.34

*: The decline in the CF is due to charging of the debit balance in the Forward Contract Valuation Account on account of MTM loss on forward contract as on June 30, 2015 and June 30, 2016.

#: 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.

@: 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.

\$: The decline in the CF is due to writing back of excess provision of ₹526.37 billion as on June 30, 2019.

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 contingency fund. During 2018-19, the balance in CGRA decreased by 3.93 per cent from ₹6,916.41 billion as on June 30, 2018 to ₹6,644.80 billion as on June 30, 2019 mainly due to depreciation of major currencies against US dollar partly compensated by the rise in the international price of gold.

d. *Investment Revaluation Account-Foreign securities (IRA-FS)*

The foreign dated securities are marked to market on the last business day of

each month and the unrealised gains/losses arising therefrom are transferred to the IRA-FS. The balance in IRA-FS as on June 30, 2019 was ₹157.35 billion.

e. *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 ₹132.85 billion as on June 30, 2018 to ₹494.76 billion as on June 30, 2019 due to increase in portfolio of rupee securities and decline in yields on Government of India securities held by the Bank during the year.

f. *Foreign Exchange Forward Contracts Valuation Account (FCVA) & Provision for Forward Contracts Valuation Account (PFCVA)*

Marking to market of outstanding forward contracts as on June 30, 2019 resulted in a net unrealised gain of ₹13.04 billion, which was credited to the FCVA with contra debit to Revaluation of Forward Contracts Account (RFCA). As per the extant policy, the amounts recorded in these accounts are reversed on the maturity of the contracts. The balance in FCVA as on June 30, 2019 was ₹13.04 billion.

The balances in CGRA, FCVA, PFCVA, IRA-FS and IRA-RS 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
2015	5,591.93	0.00	0.39	32.14	0.00
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

g. *Provision for payables*

This represents the year end provisions made for expenditure incurred but not defrayed and income received in advance/ payable, if any. Provision for payables decreased by 18.19 per cent from ₹27.88 billion as on June 30, 2018 to ₹22.81 billion as on June 30, 2019.

h. *Surplus transferable to the Government of India*

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 ADF and contribution of ₹0.04 billion to the four statutory funds, the surplus transferable to the Government of India for the year 2018-19 amounted to ₹1,759.87 billion (including ₹7.16 billion as against ₹8.49 billion in the previous year payable

towards the difference in interest expenditure borne by the Government, consequent on conversion of special securities into marketable securities). Out of ₹1,759.87 billion, an amount of ₹280 billion was transferred to central government during the year.

i. *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 increased from ₹0.05 billion as on June 30, 2018 to ₹0.08 billion as on June 30, 2019.

j. *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 ₹128.91 billion as on June 30, 2018 to ₹133.51 billion as on June 30, 2019.

XII.8.2 Liabilities of Issue Department- Notes Issued

- (i) 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 13.43 per cent from

₹19,119.60 billion as on June 30, 2018 to ₹21,687.97 billion as on June 30, 2019. The increase is on account of the continued efforts of Reserve Bank of India 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 Government of India on May 12, 2017, the Reserve Bank of India has made payments to the extent of ₹0.13 billion towards exchange value of SBNs to eligible tenderers during the year ended June 30, 2019.

XII.9 ASSETS OF THE RESERVE BANK

XII.9.1 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, 2019 was ₹0.09 billion, same as balance as on June 30, 2018.

ii) Gold Coin and Bullion

As on June 30, 2019, the Bank holds 618.16 metric tonnes of gold as compared to 566.23 metric tonnes as on June 30, 2018. The increase is on account of addition of 51.93 metric tonnes of Gold during the year.

Of 618.16 metric tonnes, 292.30 metric tonnes as on June 30, 2019 is held as backing for notes issued and shown separately as an asset of Issue Department. The balance 325.86 metric tonnes as on June 30, 2019 as compared to 273.93 metric tonnes on

June 30, 2018 is treated as an asset of Banking Department (Table XII.6). The value of gold held as asset of Banking Department increased by 26.73 per cent from ₹696.74 billion as on June 30, 2018 to ₹882.98 billion as on June 30, 2019, on account of addition of 51.93 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 2018-19; consequently, there was no such asset in the books of the Reserve Bank as on June 30, 2019.

iv) Investments -Foreign-Banking Department (BD)

The Foreign Currency Assets (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 treasury 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 FCAs, eligible as per Section 33 (6) of the RBI Act, 1934, used for backing of Notes Issued. The remaining FCAs constitute 'Investments-Foreign-BD'.

The position of FCA for the last two years is given in Table XII.4.

Table XII.4: Details of Foreign Currency Assets

(₹ billion)

Particulars	As on June 30	
	2018	2019
1	2	3
I Investments-Foreign –ID	18,366.85	20,887.65
II Investments-Foreign –BD*	7,983.89	6,964.53
Total	26,350.74	27,852.18

*: includes Shares in BIS and SWIFT and SDRs transferred from Gol valued at ₹103.21 billion as on June 30, 2019 compared to ₹104.79 billion as on June 30, 2018.

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 (₹425.48 billion / US\$ 6.17 billion). As on June 30, 2019, investments amounting to SDR 0.29 billion (₹27.85 billion / US\$0.40 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 (₹344.59 billion), in the bonds issued by India Infrastructure Finance Company (UK) Limited. As on June 30, 2019, the Reserve Bank has invested US\$1.86 billion (₹128.39 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 (₹689.18 billion).
4. During the year 2013-14, the Reserve Bank and Government of India (GoI) entered into an MoU for transfer of SDR holdings from GoI to the Reserve Bank in a phased manner. As on June 30, 2019, SDR 1.05 billion (₹100.36 billion/ US\$1.46 billion) were held by the Bank.
5. With a view to strengthening regional financial and economic cooperation, the Reserve Bank of India 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, 2019, Swap with Bhutan, amounting to US\$0.1 billion (₹6.89 billion) is outstanding.

v) Investments- Domestic-Banking Department (BD)

Investments comprise Dated Government Rupee Securities, Treasury Bills and Special Oil Bonds. As on June 30, 2019, the Reserve Bank did not hold any domestic treasury bills. The Reserve Bank's holding of domestic securities increased by 57.19 per cent, from ₹6,297.45 billion as on June 30, 2018 to ₹9,898.77 billion as on June 30, 2019. The increase was on account of liquidity management operations conducted by way

of net purchase of government securities amounting to ₹3,311.12 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, 2019, ₹565.50 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 ₹554.35 billion as on June 30, 2018 to ₹265.31 billion as on June 30, 2019, whereas loans and advances to state governments increased from ₹14.93 billion as on June 30, 2018 to ₹26.66 billion as on June 30, 2019.

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

- *Loans and advances to Commercial and Co-operative Banks:* These mainly include amounts outstanding against Repo under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF). The amount outstanding

decreased from ₹1,006.90 billion as on June 30, 2018 to ₹572 billion as on June 30, 2019 primarily due to decrease 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. No loans were outstanding both as on June 30, 2018 and June 30, 2019.

▪ *Loans and advances to others*

The balance under this head represents loans and advances to National Housing Bank (NHB), liquidity support provided to Primary Dealers (PDs) and outstanding Repo/Term Repo conducted with the PDs. The balance under this head increased by 8.87 per cent from ₹62.37 billion as on June 30, 2018 to ₹67.90 billion as on June 30, 2019 primarily due to increase in amount outstanding against Repo to PDs.

vii) Investment in Subsidiaries/ Associates

The comparative position of investment in subsidiaries/associate institutions as on June 30, 2018 and June 30, 2019 is given in Table XII.5. The total holding as on June 30, 2019 was ₹19.64 billion as compared to ₹33.70 billion as on June 30, 2018. The net decrease is on account of the following:

a) *New investments made during the year:* During the year, the Reserve Bank invested an amount of ₹0.30 billion in National Centre for

Table XII.5: Holdings in Subsidiaries/Associates

(₹ billion)

Subsidiaries/Associates	2017-18	2018-19	Per cent holding as on June 30, 2019
1	2	3	4
a) Deposit Insurance and Credit Guarantee Corporation (DICGC)	0.50	0.50	100
b) National Housing Bank (NHB)	14.50	0.00	-
c) National Bank for Agriculture and Rural Development (NABARD)	0.20	0.00	-
d) Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL)	18.00	18.00	100
e) Reserve Bank Information Technology (P) Ltd. (ReBIT)	0.50	0.50	100
f) National Centre for Financial Education (NCFE)	0.00	0.30	30
g) Indian Financial Technology & Allied Services (IFTAS)	0.00	0.34	100
Total	33.70	19.64	

Financial Education (NCFE) and an amount of ₹0.34 billion in Indian Financial Technology and Allied Services (IFTAS) towards 30 per cent and 100 per cent shareholding respectively.

b) *Disinvestments during the year:* Further, pursuant to the amendment in National Housing Bank Act, 1987 and enactment of NABARD Amendment Act, 2018, the entire shareholding of the Reserve Bank in NHB (100 per cent) and NABARD (0.40 per cent) amounting to ₹14.50 billion and ₹0.20 billion, respectively, have been transferred to Government of India during the year.

viii) Other Assets

'Other Assets' comprise fixed assets (net of depreciation), accrued income, balances held in (i) Swap Amortisation Account

(SAA) (ii) Revaluation of Forward Contracts Account (RFCA) and miscellaneous assets. Miscellaneous assets comprise mainly loans and advances to staff, amount spent on projects pending completion, security deposit paid, interim amount transferred to central government etc. The amount outstanding under 'Other Assets' increased by 58.45 per cent from ₹405.92 billion as on June 30, 2018 as compared to ₹643.20 billion as on June 30, 2019 primarily on account of interim transfer made to central government during the year.

a. *Swap Amortisation Account (SAA)*

In the 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, 2019 there are no outstanding contracts. Accordingly, there is no amount outstanding in SAA as on June 30, 2019 as compared to ₹23.10 billion as on June 30, 2018.

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. The balance in RFCA was ₹32.62 billion as on June 30, 2018 and ₹13.04 billion as on June 30, 2019. The balance represents marked to market gain on outstanding forward contracts.

XII.9.2 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 618.16 metric tonnes of gold, of which 292.30 metric tonnes are held as backing for notes issued as on June 30, 2019 (Table XII.6). The value of gold held as backing for notes issued increased by 6.53 per cent from ₹743.49 billion as on June 30, 2018 to ₹792.04 billion as on June 30, 2019. Consequent upon the increase in notes issued, 'Investments–Foreign-ID' held as backing for notes issued increased by 13.72 per cent from ₹18,366.85 billion as on June 30, 2018 to ₹20,887.65 billion as on June 30, 2019. The balance of 'Rupee Coins' held by the Issue Department decreased by 10.58 per cent from ₹9.26 billion as on June 30, 2018 to ₹8.28 billion as on June 30, 2019.

FOREIGN EXCHANGE RESERVE

XII.10 The Foreign Exchange Reserves (FER) predominantly comprise FCA, besides Gold, SDRs and Reserve Tranche Position (RTP). The SDR (other than the amount acquired from Gol and included under Investments–Foreign–BD) does not form part of Reserve Bank's balance sheet. Similarly, the RTP, which represents India's

Table XII.6: Physical holding of Gold

	As on	As on
	June 30, 2018	June 30, 2019
	Volume in	Volume in
	metric tonnes	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)	273.93	325.86
Total	566.23	618.16

Table XII.7(a): Foreign Exchange Reserves

(₹ billion)

Components	As on June 30		Variation	
	2018	2019	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	26,098.07 [^]	27,616.45 [#]	1,518.38	5.82
Gold	1,440.23 [@]	1,675.02 [*]	234.79	16.30
Special Drawing Rights (SDR)	101.92	100.36	(-) 1.56	(-) 1.53
Reserve Position in the IMF	170.40	231.69	61.29	35.97
Foreign Exchange Reserves (FER)	27,810.62	29,623.52	1,812.90	6.52

[^]: Excludes (a) SDR Holdings of the Reserve Bank amounting to ₹101.92 billion, which is included under the SDR holdings, (b) Investment of ₹144.01 billion in bonds issued by IIFC (UK), and (c) ₹6.74 billion lent to Bhutan under a Currency Swap arrangement made available for SAARC countries.

[#]: 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.

[@]: Of this, Gold valued at ₹743.49 billion is held as an asset of Issue Department and Gold valued at ₹696.74 billion is held as an asset of Banking Department.

^{*}: 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 as an asset of Banking Department.

quota contribution to IMF in foreign currency is not part of Reserve Bank's balance sheet. The position of FER as on June 30, 2018 and June 30, 2019 in Indian Rupees and the US dollar, which is the numéraire currency for our FER, is furnished in Tables XII.7 (a) and (b).

ANALYSIS OF INCOME AND EXPENDITURE INCOME

XII.11 The main components of Reserve Bank's income are 'Interest Receipts', which forms the major portion and 'Other income' including (i) Discount (ii) Exchange- Domestic and Foreign Sources (iii) Commission (iv) Amortization of Premium/Discount on Foreign and Rupee

Table XII.7(b): Foreign Exchange Reserves

(US\$ billion)

Components	As on June 30		Variation	
	2018	2019	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	380.77 [*]	400.71 ^{**}	19.94	5.24
Gold	21.00	24.30	3.30	15.71
Special Drawing Rights (SDR)	1.49	1.46	(-) 0.03	(-) 2.01
Reserve Position in the IMF	2.48	3.36	0.88	35.48
Foreign Exchange Reserves (FER)	405.74	429.83	24.09	5.94

^{*}: Excludes (a) SDR Holdings of the Reserve Bank amounting to US\$ 1.49 billion, which is included under the SDR holdings, (b) US\$ 2.10 billion invested in bonds of IIFC (UK) and (c) BTN equivalent to US\$ 0.10 billion equivalent of INR currency lent to Bhutan under a Currency Swap arrangement made available for SAARC countries.

^{**}: 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.

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. During the year, exchange gain/loss has been computed using weighted average cost method resulting in an impact of ₹214.64 billion. 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.12 The income from foreign sources, increased by 173.56 per cent from ₹274.01 billion in 2017-18 to ₹749.58 billion in 2018-19 mainly on account of the general rise in yield/interest rates across all currencies and movement in the

Table XII.8: Earnings from Foreign Sources

(₹ billion)

Item	As on June 30		Variation	
	2017-18	2018-19	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	26,350.74	27,852.18	1,501.44	5.70
Average FCA	25,170.70	26,896.92	1,726.22	6.86
Earnings from FCA (interest, discount, exchange gain/loss, capital gain/loss on securities)	274.01	749.58	475.57	173.56
Earnings from FCA as per cent of average FCA	1.09	2.79	1.70	155.96

exchange rates. The rate of earnings on foreign currency assets was higher at 2.79 per cent in 2018-19 as compared with 1.09 per cent in 2017-18. (Table XII.8).

Earnings from Domestic Sources

XII.13 The net income from domestic sources increased by 132.07 per cent from ₹508.80

billion in 2017-18 to ₹1,180.78 billion in 2018-19 mainly on account of increase in (a) coupon income due to an increase in the portfolio of rupee securities (b) net income on interest under LAF/ MSF operations due to increase in net liquidity injection to the banking system and (c) write back of excess risk provision from CF (Table XII.9).

Table XII.9: Earnings from Domestic Sources

(₹ billion)

Item	2017-18	2018-19	Variation	
			Absolute	Per cent
1	2	3	4	5
Earnings (I+II+III)	508.80	1,180.78	671.98	132.07
I. Earnings from Rupee Securities				
i) Interest on holding of Rupee Securities	479.68	583.43	103.75	21.63
ii) Profit on Sale and redemption of Rupee Securities	60.36	0.40	-59.96	-99.34
iii) Depreciation on Rupee Securities inter portfolio transfer	-0.08	-0.27	-0.19	237.50
iv) Amortisation of premium/discount on Rupee Securities	31.13	21.45	-9.68	-31.10
v) Net Interest on LAF Operations	-95.41	10.46	105.87	110.96
vi) Interest on MSF Operations	1.25	1.35	0.10	8.00
Sub total (i+ii+iii+iv+v+vi)	476.93	616.82	139.89	29.33
II. Interest on Loans and Advances				
i) Government (Central & States)	5.86	12.85	6.99	119.28
ii) Banks & Financial Institutions	1.35	1.47	0.12	8.89
iii) Employees	0.58	0.66	0.08	13.79
Sub total (i+ii+iii)	7.79	14.98	7.19	92.30
III. Other Earnings				
i) Discount	0.00	0.00	0.00	0.00
ii) Exchange	0.00	0.00	0.00	0.00
iii) Commission	20.35	22.72	2.37	11.65
iv) Rent realised, Profit or Loss on sale of Bank's Property, Provisions no longer required and Miscellaneous	3.73	526.26	522.53	14,008.85
Sub total (i+ii+iii+iv)	24.08	548.98	524.90	2,179.82

XII.14 Interest on holding of Rupee Securities and oil bonds increased by 21.63 per cent from ₹479.68 billion in 2017-18 to ₹583.43 billion in 2018-19 on account of increase in the Reserve Bank's holding of Government securities as a result of net purchase of ₹3,311.12 billion in 2018-19.

XII.15 The net interest income from Liquidity Adjustment Facility (LAF)/Marginal Standing Facility (MSF) operations increased to ₹11.81 billion in 2018-19 from ₹(-)94.16 billion in 2017-18 due to increase in net liquidity injection to the banking system.

XII.16 Profit on sale and redemption of Rupee Securities decreased to ₹0.40 billion in 2018-19 as against ₹60.36 billion in 2017-18 on account of lower sale of Rupee Securities amounting to ₹0.60 billion (Face Value) in 2018-19 as compared to ₹900.00 billion (Face Value) in 2017-18.

XII.17 *Premium/ Discount on amortisation of Rupee Securities and Oil Bonds:* The rupee securities and oil bonds, held by the 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 31.10 per cent from ₹31.13 billion during 2017-18 to ₹21.45 billion for 2018-19.

XII.18 *Interest on loans and advances*

a. *Central and State Government:*

Interest income from Ways and Means Advances (WMA)/Overdraft (OD) received from the Centre and States increased by 119.28 per cent from ₹5.86 billion during 2017-18 to ₹12.85 billion in 2018-19. Of the total, interest income received from the Centre on account of WMA/OD increased

from ₹4.34 billion in 2017-18 to ₹10.65 billion in 2018-19 and interest income received from the States on account of WMA/OD/Special Drawing Facility (SDF) increased from ₹1.52 billion during 2017-18 to ₹2.20 billion in 2018-19. The increased earning was on account of higher utilisation of WMA/OD facility by central and state governments in 2018-19.

b. *Banks & Financial institutions:* Interest on loans and advances to banks and financial institutions increased by 8.89 per cent from ₹1.35 billion in 2017-18 to ₹1.47 billion in 2018-19.

c. *Employees:* Interest on loans and advances to employees increased by 13.79 per cent from ₹0.58 billion in 2017-18 to ₹0.66 billion in 2018-19.

XII.19 *Commission:* The commission income increased by 11.65 per cent from ₹20.35 billion in 2017-18 to ₹22.72 billion in 2018-19 primarily on account of increase in management commission received for servicing outstanding central and state government loans including savings bonds, Government Securities, Treasury Bills (T-Bills) and Cash Management Bills (CMBs).

XII.20 *Rent realised, Profit or Loss on sale of Bank's Property, Provisions no longer required and Miscellaneous Income:* Earnings from these income heads increased from ₹3.73 billion in 2017-18 to ₹526.26 billion in 2018-19 due to write back of excess risk provision from CF to 'Provision no longer required'.

EXPENDITURE

XII.21 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

Table XII.10: Expenditure

(₹ billion)

Item	2014-15	2015-16	2016-17	2017-18	2018-19
1	2	3	4	5	6
i. Interest Payment	0.01	0.01	0.01	0.01	0.01
ii. Employees Cost	40.58	44.77	46.21	38.48	68.51
iii. Agency charges/ commission	30.45	47.56	40.52	39.03	39.10
iv. Printing of notes	37.62	34.21	79.65	49.12	48.11
v. Provisions	10.00	10.00	131.90	141.90	0.64
vi. Others	14.90	13.35	13.26	14.23	14.08
Total (i+ii+iii+iv+v+vi)	133.56	149.90	311.55	282.77	170.45

besides staff related and other expenses. The total expenditure of the Bank decreased by 39.72 per cent from ₹282.77 billion in 2017-18 to ₹170.45 billion in 2018-19 (Table XII.10).

i) Interest payment

During 2018-19 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 2018-19 increased by 78.04 per cent from ₹38.48 billion in 2017-18 to ₹68.51 billion in 2018-19. The increase was due to net impact of increase in Bank's expenditure towards accrued liabilities of various superannuation funds from ₹6.48 billion in 2017-18 to ₹36.10 billion in 2018-19. Contribution to superannuation funds depends on the actuarial valuation of the liabilities under these funds.

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 which were last revised with effect from July 01, 2012. The agency commission paid on account of government business increased by 1.52 per cent from ₹37.60 billion in the year 2017-18 to ₹38.17 billion in the year 2018-19. The marginal increase of ₹0.57 billion may be due to substantial increase in underlying government transactions. However, a part of the increased outgo of agency commission has been set off on account of the savings in agency commission due to transactions being processed through e-Kuber integration.

b. Underwriting Commission paid to Primary Dealers

Reserve Bank paid total underwriting commission of ₹0.74 billion to Primary Dealers during 2018-19 as compared to ₹1.13 billion during 2017-18. Despite increased G-sec borrowing program during Financial Year 2019-20, volatility in currency, phases of tighter liquidity scenarios, higher crude prices and SLR reduction, underwriting commission was on the lower side as compared to the previous year. The upward pressure on yield that could possibly have been exerted by these factors was adequately outweighed by softening effect of factors such as market expectation of a stable central government, net repo rate cut by 50 basis points (bps) by the Reserve Bank, liquidity infusion through dollar swaps and OMOs, global rally in bonds, relatively dovish signals from both the Fed and ECB, and overall moderate inflation. As a result of which the yields

softened during the year (10 year benchmark yield decreased by around 102 bps). Hence, as the net market conditions were benign and risk of devolvement reduced, PDs demanded lesser underwriting commission as compared to last year when market conditions had turned volatile due to modifications in Government borrowing, variations in market liquidity and banking sector developments.

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 decreased from ₹0.08 billion in 2017-18 to ₹0.02 billion in 2018-19.

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

Fees paid for custodial services decreased from ₹0.22 billion in 2017-18 to ₹0.17 billion in 2018-19.

iv) **Printing of Notes**

The supply of notes during the year 2018-19 at 29,191 million pieces was 16.75 per cent higher than that of the year 2017-18 (25,003 million pieces). However, the expenditure incurred on printing of banknotes decreased by 2.06 per cent from ₹49.12 billion in the year 2017-18 to ₹48.11 billion during the year 2018-19 mainly on account of downward revision of the rates of printing of banknotes supplied by BRBNMPL press.

v) **Others**

Other expenses consisting of expenditure on remittance of currency, printing and

stationery, audit fees and related expenses, miscellaneous expenses etc. increased by 3.44 per cent from ₹14.23 billion in 2017-18 to ₹14.72 billion in 2018-19.

vi) **Provisions**

In 2018-19, a provision of ₹0.64 billion was made for transfer to Asset Development Fund (ADF).

Contingent Liabilities

XII.22 The total contingent liabilities of the Reserve Bank amounted to ₹9.94 billion. The main component of it being partly paid shares of Bank for International Settlements (BIS) held by the Reserve Bank and denominated in SDR. The uncalled liability on partly paid shares of the BIS as on June 30, 2019 was ₹8.55 billion. The balances are callable at three months' notice by a decision of the BIS Board of Directors.

Prior period transactions

XII.23 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 ₹(-)0.06 billion and ₹0.01 billion respectively.

Previous year's figures

XII.24 Figures for the previous year have been rearranged, wherever necessary, to make them comparable with the current year.

Auditors

XII.25 The statutory auditors of the 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 2018-19 were audited by M/s Chhajer & Doshi, Mumbai and M/s G. P. Kapadia & Co., 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.