

IX

HUMAN RESOURCE DEVELOPMENT AND ORGANISATIONAL MATTERS

IX.1 In view of the fast changing external environment brought about by the growing deregulation, liberalisation and opening up of the Indian economy, human resources management has assumed high significance. The Reserve Bank, therefore, continued with its endeavour of upgrading the skills of its human resources. The focus was on facilitating the transition to a learning environment that lays stress on developing functional, inter-personal and leadership skills, creativity and communication capabilities as well as the ability to work in a cross-cultural work environment and with cross-functional teams. Efforts to benchmark the work processes in the Reserve Bank to the international best practices were carried forward during 2006-07. With a view to reaching out to the common person in the country, the Reserve Bank has also been suitably designing and developing communication strategies for disseminating information on its policies. Speeches by Top Management (Annex 1), reports of the various Working Groups (Annex II), and regular publications, an important part of the communication policy, are all placed on the Reserve Bank's website.

IX.2 This Chapter details the various initiatives undertaken by the Reserve Bank for upgrading the human resources skills through appropriate training facilities at its own as well as external training institutes in areas of relevance to its working and operations. It also covers various measures taken for improving the customer service in the areas of banking, currency, foreign exchange and clearing mechanism including evaluation of customer satisfaction, financial inclusion and financial education. A Customer Service Department was set up in July 2006 by bringing in various customer service activities handled by different departments of the bank under a single roof for improving the quality of services to the members of public, banks, Central and State Governments and financial institutions.

IX.3 The Reserve Bank's research departments continued to provide analytical research on various aspects of the Indian economy in the conduct and formulation of its monetary and financial policies. In order to explain the rationale and the analytics of its policy initiatives to the public, the Reserve Bank disseminated wide ranging information through press releases, notifications, master circulars, publications,

speeches, frequently asked questions and advertisements.

IX.4 Finally, the Chapter presents an overview of the meetings of the Central Board and its Committees. Seven meetings of the Central Board were held during the year ended June 30, 2007 wherein there were discussions on the areas of currency management, banking regulation and supervision, monetary and credit policy, accounting policy, and internal debt management policy. The deliberations of the Board also focused on the critical issue of ensuring the benefits of growth to the poorer sections of society and increasing the flow of credit to agriculture and rural areas.

HUMAN RESOURCE INITIATIVES

Training and Skills Enhancement

IX.5 Three training colleges of the Reserve Bank, viz., the Bankers' Training College (BTC), Mumbai, the Reserve Bank Staff College (RBSC), Chennai and the College of Agricultural Banking (CAB), Pune continued to cater to the training needs of the officers of the Reserve Bank and the banking industry. The four Zonal Training Centres (ZTCs) focused on training of Class III and IV staff of the Reserve Bank (Table 9.1).

Banker' Training College/Centre for Advanced Financial Learning, Mumbai

IX.6 The Bankers' Training College (BTC) was established to train the personnel of commercial banks and other financial institutions in India. Recognising the many changes that have taken place in the financial sector and to provide a broad-based intellectual platform for research, training and discussion for senior executives and professionals in the financial sector, both Indian and foreign, the Bankers' Training College was relaunched as "Centre for Advanced Financial Learning" by the Honourable Prime Minister of India in 2006. The Centre conducted two high-end programmes on Advanced Derivatives and Financial Risk Management by outside experts for senior officers of the Reserve Bank. It also conducted 12 programmes in areas such as asset liability management, risk management, human resources development,

Table 9.1: Training Establishments of the Reserve Bank – Programmes Conducted

Training Establishment	2002-03 (July-June)		2003-04 (July-June)		2004-05 (July-June)		2005-06 (July-June)		2006-07 (July-June)	
	Number of Programmes	Number of Participants	Number of Programmes	Number of Participants	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	8	9	10	11
BTC, Mumbai	160	3,735	171	3,204	153	3,287	85	1,908	89	2,148
RBSC, Chennai	139	3,013	144	2,874	133	2,895	127	2,633	138	2,941
CAB, Pune	173	3,461	147 *	3,138 *	146	3,364	152 #	3,812 #	146	4,279
ZTCs (Class III)	153	2,991	187	3,652	245	5,442	230	4,710	215	4,069
ZTCs (Class IV)	31	535	56	958	40	1,295	76	1,592	78	1,605

* : Includes 10 outstation programmes conducted at the initiative of Regional Offices involving 384 participants.

: Includes 13 offsite programmes involving 437 participants.

BTC : Bankers' Training College. RBSC : Reserve Bank Staff College.

CAB : College of Agricultural Banking. ZTC : Zonal Training Centre.

customer services and emerging issues in banking (Table 9.2).

Reserve Bank Staff College, Chennai

IX.7 The Reserve Bank Staff College (RBSC), established to impart training to the Reserve Bank's

own officers in junior and middle management cadres and specialised development of officers in the senior management cadre, continues to contribute to the upgradation of skills of all the cadres of the officers. In line with the changing environment, it has been consistently endeavouring to modernise the

Table 9.2: New Programmes/Seminar/Workshops Conducted by Training Colleges during 2006-07

Bankers Training College (BTC)/Centre for Advanced Financial Learning (CAFL)	Reserve Bank Staff College (RBSC)	College of Agricultural Banking (CAB)
1	2	3
1. Credit, Forex and Risk Management (for Canara Bank)	1. Credit Management and Quantitative Techniques	1. National Symposium on Farm Credit for Inclusive Growth
2. Executive Development Programme for Promotees to Executive Cadre (for Canara Bank)	2. Rainwater Harvesting and Energy Conservation	2. National Workshop on ICT for Rural Financial Services
3. Human Resource Development Challenges for Indian Banks	3. Organisational Culture Building	3. National Seminar on Micro Finance (in Hindi)
4. Disaster Recovery Management	4. Financial Crimes and Market Intelligence	4. National Seminar on Organic Agriculture
5. Seminar on Issues in Customer Service in Banks	5. International Seminar on Basel II Implementation Issues	5. Workshop on Commodities Futures and Agricultural Produce Marketing
6. Asset Liability Management with Duration Gap Analysis Framework	6. Programme for Police Officials from National Police Academy, Hyderabad	6. Management Development Programmes for the Chief Executive Officers of the Urban Cooperative Banks and Micro Finance Institutions
7. Seminar on Credit Delivery, Culture and Pricing		7. International Programme on Restructuring and Strengthening Agricultural / Rural Financial Institutions
8. Compliance Risk Management		8. Customised Programmes on Micro Finance Delivery Systems for Participants from Sri Lanka.
9. Internal Credit Risk Modelling under Basel II		
10. Seminar on Emerging Issues in Banking		
11. Advanced Derivatives Programme		
12. Financial Risk Management		

techniques of training as well as the coverage of inputs. Ethical issues, communication techniques as well as human values are being included in most of the programmes.

IX.8 Four e-learning modules have been prepared and kept on the website of the RBSC for perusal, while two are under preparation. A number of topical programmes relating to Basel II, credit management, rain water harvesting, organisational culture building and financial crimes were organised in the College during the year (see Table 9.2). The College conducted off-site programmes at various centres. In order to provide an intellectual platform on financial and central banking issues for the Afro-Asian region, the College conducted "International Seminar on Basel II-Implementation Issues". The seminar attended by 24 central bankers from 14 countries deliberated on various issues and options based on individual country experiences.

College of Agricultural Banking, Pune

IX.9 The College of Agricultural Banking (CAB), originally set up with a focus on training the senior and middle level officers of rural and co-operative credit sectors, has, in recent years, diversified into areas relating to non-banking financial companies, human resource management and information technology (IT). Keeping in view the emerging training needs, the College organised 45 new programmes such as farm credit for inclusive growth, IT for rural financial services, micro finance, commodities futures and management development (see Table 9.2). The College also organised four international programmes, viz., the International Programme on Restructuring and Strengthening of Agricultural/Rural Financial Institutions (sponsored by the Centre for Co-operative Training in Agriculture and Banking) and three customised programmes on Micro Finance Delivery Systems for participants from Sri Lanka. The College conducted 31 customised programmes for the Central Bank of Sri Lanka, Dena Bank, Union Bank of India, Corporation Bank, Canara Bank, Indian Overseas Bank, National Housing Bank, and Indian Banks' Association. The Planning Commission/ United Nations Development Programme (UNDP) sponsored programme for the senior State/Central Government officials was also organised. Furthermore, 19 off-campus programmes were organised at various centres. 128 participants from Sri Lanka, Nepal and Bangladesh attended training programmes conducted by the College during the year. The College continued to provide faculty support to a number of other institutions.

IX.10 The College also undertook a study on 'Costs and Margins of Micro Finance Institutions' in association with some regional offices. The College has been regularly bringing out a quarterly journal "CAB Calling", focused on developmental banking. Two out of the three issues of the magazine published during 2006-07 focused on "SME Financing" and "Organic Agriculture". The College has initiated the process of obtaining ISO certification in a time-bound manner to improve the quality management systems in its academic activities.

Deputation of Officers for Training in India and Abroad

IX.11 In order to upgrade the skills of its human resources, the Reserve Bank also deposes its officers to various external training institutes, conferences, seminars and workshops, both in India and abroad. During 2006-07, 871 officers were deputed for various programmes in India while 352 officers were sent abroad. The areas covered in such programmes included banking supervision, derivatives, risk management, financial programming and policies, central bank accounting, monetary policy and operations, macroeconomic management, debt management, reserve management, finance for agriculture, rural development, micro finance, human resources, international banking, foreign trade and labour laws (Table 9.3).

IX.12 With a view to enhancing the level of knowledge and sharpening executive skills, the Reserve Bank has decided to depute Senior Officers in Grade 'F' for advanced management programmes of about two to three weeks' duration at leading business schools abroad. Four Senior Officers in Grade 'F' have been chosen for deputation to pursue such courses in 2007 at internationally renowned business schools such as the Harvard Business School, the Columbia Business School and the London Business School.

Table 9.3: Number of Officers Trained in External Training Institutions in India and Abroad

Year	Number of officers trained in India	Number of officers trained abroad
1	2	3
2001-02	355	137
2002-03	452	208
2003-04	433	242
2004-05	521	171
2005-06	625	273
2006-07	871	352

IX.13 In order to hone the technical and management skills of the Reserve Bank's officers, a need was felt for greater coordination with leading central banks as well as other key regulatory and supranational agencies. With this objective, an inter-institutional exchange of human resources in the form of a Short-term Secondment Scheme has been put in place; under the first such exchange, one officer has taken up a secondment with the Financial Stability Division at the Bank of England effective April 2007. Discussions are on with the *Banque de France* on designing a similar short-term Secondment Scheme.

IX.14 A scheme of sponsoring officers in Grades A and B below the age of 35 years for pursuing Post-Graduate Programme in Banking & Finance (PGPBF) conducted by the National Institute of Bank Management (NIBM), Pune has been instituted and one officer has been selected to pursue the course during the academic year 2007-08.

IX.15 Four officers were selected during 2006-07 under the Reserve Bank's Golden Jubilee Scholarship Scheme for higher studies abroad. In all, 87 officers have been selected under this scheme since its inception in 1986.

IX.16 Ten officers were allowed to pursue higher studies during the year. Besides, one officer completed research under the Bank for International Settlements (BIS) Visiting Fellowship Programme. One officer has been deputed for the post of India Analyst in a project being jointly run by Bank of Tokyo and Waseda University, Japan.

Zonal Training Centres

IX.17 Zonal Training Centres (ZTCs) of the Reserve Bank conducted programmes on functional areas, information technology and behavioural areas for employees in the Class III and IV cadres of the Reserve Bank. Apart from regular programmes at their premises, the ZTCs also conducted offsite programmes. Four pre-Integrated Officer Development Programme (IODP) courses were conducted at ZTC, Kolkata. Pre-examination trainings for Assistant Managers (for SC/ST and physically handicapped candidates) and Managers as well as preparatory training programmes for promotion of Class IV to Class III were also conducted at ZTCs.

IX.18 ZTC, Belapur conducted an exclusive training programme on Inventory Management and Accounts for the employees of the Royal Monetary Authority of

Bhutan. The National Bank for Agriculture and Rural Development (NABARD) has been deputing its Class III and IV employees for investment and retirement planning programme conducted by ZTCs on a cost basis.

Deputation of Class III and IV Staff to External Institutions in India

IX.19 Under the scheme for deputation of Class III and IV staff for training in external institutions in India in human resource development, 182 Class III and 21 Class IV employees were deputed during the calendar year 2006. Four in-company programmes for Class III employees and for Class IV employees were conducted at external training institutions, viz., V. V. Giri National Labour Institute, Noida and National Productivity Council, New Delhi, respectively, during the year 2006-07.

Training in Computer Technology

IX.20 During 2006-07, 130 officers were deputed for advanced training programmes in computers and information technology to leading training institutions such as the National Institute of Bank Management (NIBM), Pune and the Institute for Development and Research in Banking Technology (IDRBT), Hyderabad. The Reserve Bank contributed Rs.9 crore towards training fees and membership subscriptions of various institutions.

Other Initiatives

IX.21 During July-June 2007, 555 employees availed benefits under the incentive scheme for pursuing part time and distance education courses. The major areas of the study were management, information technology, financial analyst and post-graduation in commerce and economics.

IX.22 In order to provide its staff an additional avenue of skill enhancement, the Reserve Bank has obtained an e-learning module designed by the Indian Institute of Banking and Finance (an affiliate of the Indian Institute of Bankers) exclusively for its employees covering different facets of central banking such as treasury and risk management, and international banking and foreign exchange.

IX.23 FSI-Connect, an innovative web-based information resource and learning tool for bank supervision introduced by Financial Stability Institute of Bank for International Settlement has been subscribed by the Reserve Bank since 2005. The Reserve Bank is the largest subscriber having 1,213

connections. This e-learning facility contains modules like Capital and Basel II, Market Risk, Credit Risk, Operational Risk and Payment Systems.

IX.24 At the Reserve Bank's Regional Directors' Conference for the year 2006 held in informal settings at Mumbai from November 23 to 26, 2006, Governor/Deputy Governors shared their vision on the way forward for the Reserve Bank and set out the broad goals for the organisation. At this annual forum, organisational strategies were also discussed with the heads of the Regional Offices and Central Office departments with a view to enhancing efficiency through internal re-engineering. Deliberations also laid emphasis on outcomes as against processes, given the changes in the external environment. In order to provide the Regional Directors a first-hand idea of the issues engaging the Reserve Bank, presentations were made by heads of the various Central Office departments. Presentations were also made by the Regional Directors on notable initiatives taken by the offices under their jurisdictions. An interactive Strategy Conversation Session discussed internal issues such as HR ownership, execution and delivery and leadership building. A galaxy of eminent guest speakers also addressed the Conference on a range of interesting and evolving issues.

IX.25 With a view to imparting more transparency and objectivity in the Performance Rating System, a new Performance Appraisal Reporting (PAR) System for the members of staff in the Class III cadre was introduced during 2006-07. The revised arrangement replacing the erstwhile Annual Confidential Reporting (ACR) System incorporates self-assessment by the employees and has been received favourably as a step forward towards a fairer and more objective system of employee appraisal.

IX.26 As part of its capacity building and knowledge management initiatives, the Reserve Bank signed a Memorandum of Understanding with the London School of Economics and Political Science (LSE) for creating a LSE India Observatory and IG Patel Chair to be based at the Asia Research Centre at the LSE. The LSE India Observatory will co-ordinate India-related research, policy development and teaching at the LSE and is expected to emerge as a hub for academic collaboration with academic institutions in India, government agencies and corporate bodies. The IG Patel Chair, which is being set up in honour of the late Dr. I.G. Patel, a former Governor of the Reserve Bank, who also later held the post of Director at the LSE, will be a fully endowed permanent

professorship and its holder will lead the LSE India Observatory. The LSE proposes to invite an eminent scholar with an established reputation in development economics, political economy or a closely related field to hold this post. The Reserve Bank, as part of a sponsor consortium, will provide a funding of £100,000 per annum to the LSE for a period of ten years beginning January 2007. The Memorandum of Understanding in this regard was signed on December 7, 2006 in New Delhi in the presence of the Honourable Prime Minister of India.

IX.27 With a view to positioning India as a global training provider in the field of banking and finance, the Joint India-International Monetary Fund (IMF) Training Programme (ITP) has been established at the National Institute of Bank Management (NIBM) campus in Pune. This is the seventh such facility of the IMF Institute in the world. The ITP will impart policy-oriented training to nominees of Governments and central banks of the participating SAARC and East African countries, apart from India, in areas such as macroeconomic management and policies, financial programming, monetary policy, bank supervision, financial sector issues, public finance, exchange rate policy and foreign exchange operations and statistics. The ITP will also include seminars on topical issues for high-level officials. Faculty support for these courses will be provided by the IMF Institute, Washington. The inaugural course at the ITP was held from July 24 to August 4, 2006. In all, six courses were held at the ITP during 2006-07 (July-June).

IX.28 The Reserve Bank organised an interface on the broad theme of "Capacity Building in Central Banks : Creating Synergies" with the Heads of the Human Resource Department(s)/Training Establishments of central banks of the countries participating in the courses run at the ITP Centre at Pune. The interface, aimed at building up the synergy with other key central banks on human resource issues, afforded an opportunity to learn from cross-country experiences in aligning human resource management with the strategic objectives. The event coincided with the formal inauguration of the Joint India-IMF training facility in Pune.

IX.29 Twelve officials from the central banks of Zambia, Tanzania and Nigeria were provided study attachments at the Reserve Bank's Central Office departments during 2006-07. Interface sessions were held for students of Pace University, University of Texas at Austin, and University of Manchester; such

sessions were also held for senior civil servants of Singapore, participants from Higher Defence Management Course, Secunderabad, and College of Naval Warfare.

Summer Placement

IX.30 The Reserve Bank has in place a Summer Placement scheme which affords an opportunity to domestic and foreign students to expose themselves to an actual managerial environment and apply their knowledge to operational issues in the central bank while doing their internship. During the year 2006-07, 30 students selected under the scheme from management institutes/colleges of India undertook their internship in the Reserve Bank. Furthermore, 13 students pursuing higher studies abroad have also been selected to undertake internship with the Reserve Bank during the year 2006-07.

Industrial Relations

IX.31 Industrial relations in the Reserve Bank remained, by and large, peaceful during 2006-07. Periodical meetings were held with the recognised Associations/Federations of workmen employees/officers on various matters related to service conditions and welfare measures in the Reserve Bank.

Recruitment

IX.32 During 2006 (January-December), the Reserve Bank recruited 360 employees. Of this, 105 belonged to Scheduled Castes (SCs) and Scheduled Tribes (STs) categories, constituting 29.1 per cent of total recruitment (Table 9.4).

Staff Strength

IX.33 The total staff strength as on December 31, 2006 was 21,910 as compared with 22,192 a year

Table 9.4: Recruitment by the Reserve Bank – 2006*

Category	Total Recruitment	of which		Percentage	
		SC	ST	SC	ST
1	2	3	4	5	6
Class I	140	33	15	23.6	10.7
Class III	8	–	–	–	–
Class IV					
(a) Maintenance Attendants	187	31	23	16.6	12.3
(b) Others	25	3	–	12.0	–
Total	360	67	38	18.6	10.5

* : January-December.
SC : Scheduled Castes. ST : Scheduled Tribes.

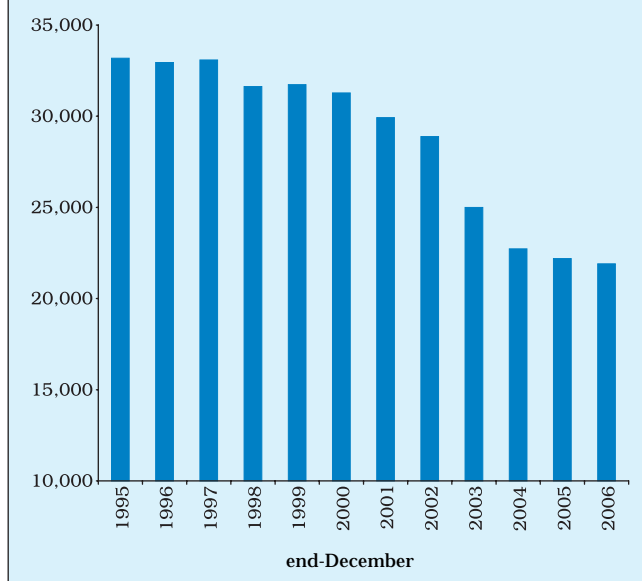
ago. Of the total staff, 21.2 per cent belonged to Scheduled Castes and 8.9 per cent belonged to Scheduled Tribes as on December 31, 2006 (Table 9.5 and Chart IX.1).

IX.34 During 2006 (January-December), the Reserve Bank's Liaison Officer for Scheduled Caste/Scheduled Tribe employees conducted inspection of reservation rosters maintained at six offices, viz., Guwahati, Thiruvananthapuram, Kochi, Jaipur, Jammu and Hyderabad. Meetings between the management and the representatives of the All India Reserve Bank Scheduled Castes/Scheduled Tribes and the Buddhist Federation were held on four occasions during the year to discuss issues relating to the implementation of reservation policy in the Reserve Bank. In accordance with the Central Government's policy, the Reserve Bank has provided reservation to Other Backward Classes (OBCs) effective September 8, 1993. The representation of the OBCs (recruited after September 1993) in the Reserve Bank as on December 31, 2006 was 820. Of these, 217 were in Class I, 110 in Class III and 493 in Class IV. Two meetings were held with the All India Reserve Bank OBC Employees' Welfare

Table 9.5: Staff Strength of the Reserve Bank

Category	Category-wise Strength						Per cent to Total Strength	
	Total Strength		SC		ST		SC	ST
	December 31, 2005	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2006	
1	2	3	4	5	6	7	8	9
Class I	5,885	6,819	870	993	367	458	14.6	6.7
Class III	8,773	7,522	1,341	1,183	845	744	15.7	9.9
Class IV	7,534	7,569	2,459	2,465	731	752	32.6	9.9
Total	22,192	21,910	4,670	4,641	1,943	1,954	21.2	8.9

SC : Scheduled Castes. ST : Scheduled Tribes.

Chart IX.1: Total Staff Strength of the Reserve Bank

Association to discuss issues relating to implementation of the reservation policy in the Reserve Bank.

IX.35 The total strength of ex-servicemen in the Reserve Bank at end-December 2006 was 1,273 comprising 165 in Class I, 288 in Class III and 820 in Class IV. The number of physically handicapped employees in Class I, Class III and Class IV cadres was 113, 218 and 133, respectively, at end-December 2006.

IX.36 Of the total staff, 31.1 per cent was in Class I, 34.3 per cent in Class III and the remaining 34.6 per cent in Class IV (Table 9.6).

IX.37 Almost one-fourth of the total staff is involved in the work related to currency management (Table 9.7).

IX.38 Mumbai (including the Central Office Departments) continued to have the maximum number of staff – 29 per cent of total staff strength – followed by Kolkata (10 per cent), Chennai and Delhi (7 per cent each) (Table 9.8).

Contract Appointments

IX.39 In view of the ongoing innovations, new developments and work processes getting increasingly technology-driven, induction of appropriate technical manpower in the Reserve Bank was considered imperative. Accordingly, during the year, the Reserve Bank took Information Technology (IT) resources personnel on a contract appointment basis.

Table 9.6: Category-wise Actual Staff Strength (As on December 31, 2006)

Class	Actual Strength
1	2
Class I	6,819
1. Senior Officers in Grade F	89
2. Senior Officers in Grade E	231
3. Senior Officers in Grade D	359
4. Officers in Grade C	856
5. Officers in Grade B	1,476
6. Officers in Grade A	3,482
7. Treasurers	19
8. Deputy Treasurers	60
9. Assistant Treasurers	247
Class III	7,522
1. Clerks Grade I	2,494
2. Clerks Grade II	3,201
3. Stenographers	229
4. Typists	538
5. Tellers	459
6. Others	601
Class IV	7,569
1. Peons	1,505
2. Mazdoors	1,796
3. Others	4,268
Total Strength in the Reserve Bank	21,910

Opening of New Offices/Departments

IX.40 The Reserve Bank opened sub-offices at Dehradun and Raipur on June 30, 2006 and January 2, 2007 for the States of Uttaranchal (since renamed as Uttarakhand) and Chhattisgarh, respectively. The sub-offices will focus on issues relating to rural credit and co-operative banks in the respective States. The sub-offices will initially have two departments, namely, the Rural Planning and Credit Department (RPCD) and the Urban Banks Department (UBD).

IX.41 In July 2006, a new department called 'Customer Service Department' was set up in order to bring together all activities relating to customer service in the Reserve Bank under one roof (see Box V.5).

IX.42 In October 2006, the Lucknow Sub-office was granted the status of an independent office of the Reserve Bank with the creation of an independent jurisdiction of the Issue Circle at Lucknow and clear demarcation of functional jurisdiction between Kanpur and Lucknow offices.

**HUMAN RESOURCE DEVELOPMENT AND
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Table 9.7: Reserve Bank's Department-wise Strength of Staff as on December 31, 2006

Sr. No.	Department/Office	Class I			Class III			Class IV			Grand Total
		C.O	R.O	Total	C.O	R.O	Total	C.O	R.O	Total	
1	2	3	4	5	6	7	8	9	10	11	12
1.	Department of Administration and Personnel Management (DAPM)	88	764	852	83	1,007	1,090	47	2,691	2,738	4,680
2.	Department of Banking Operations and Development (DBOD)	143	5	148	90	4	94	84	4	88	330
3.	Department of Banking Supervision (DBS)	120	571	691	25	193	218	18	110	128	1,037
4.	Department of Currency Management (DCM)	35	1,075	1,110	24	2,068	2,092	17	2,059	2,076	5,278
5.	Department of Economic Analysis and Policy (DEAP)	195	38	233	152	35	187	71	22	93	513
6.	Department of Expenditure and Budgetary Control (DEBC)	63	302	365	86	499	585	31	135	166	1,116
7.	Department of External Investment and Operations (DEIO)	54	–	54	27	–	27	11	–	11	92
8.	Department of Statistical Analysis and Computer Services (DESACS)	172	19	191	119	35	154	80	13	93	438
9.	Department of Government and Bank Accounts (DGBA)	59	816	875	56	1,466	1,522	19	528	547	2,944
10.	Department of Information Technology (DIT)	76	49	125	11	16	27	14	2	16	168
11.	Department of Non-Banking Supervision (DNBS)	45	227	272	10	101	111	7	66	73	456
12.	Foreign Exchange Department (FED)	77	189	266	101	312	413	50	177	227	906
13.	Financial Markets Department (FMD)	21	–	21	4	–	4	3	–	3	28
14.	Human Resources Development Department (HRDD)	50	5	55	46	5	51	27	1	28	134
14A.	Bankers' Training College, Mumbai	0	37	37	–	30	30	–	86	86	153
14B.	Reserve Bank Staff College, Chennai	0	38	38	–	21	21	–	37	37	96
14C.	Zonal Training Colleges	0	17	17	–	9	9	–	5	5	31
14D.	College of Agricultural Banking, Pune	0	55	55	–	35	35	–	91	91	181
15.	Internal Debt Management Department (IDMD)	26	–	26	11	–	11	7	–	7	44
16.	Inspection Department (ID)	48	–	48	16	–	16	11	–	11	75
17.	Legal Department (LD)	34	9	43	14	7	21	13	3	16	80
18.	Press Relations Division (PRD)	8	–	8	6	–	6	6	–	6	20
19.	Premises Department (PD)	44	248	292	39	300	339	45	667	712	1,343
20.	Rural Planning and Credit Department (RPCD)	108	330	438	34	141	175	37	101	138	751
21.	Secretary's Department	39	0	39	19	–	19	38	–	38	96
22.	Urban Banks Department (UBD)	71	364	435	27	152	179	37	57	94	708
23.	Rajbhasha Department	–	27	27	–	37	37	–	9	9	73
24.	Deposit Insurance and Credit Guarantee Corporation (DICGC)	–	46	46	–	37	37	–	25	25	108
25.	Reserve Bank Services Board (RBSB)	12	–	12	12	–	12	7	–	7	31
Total		1,588	5,231	6,819	1,012	6,510	7,522	680	6,889	7,569	21,910

Note : 1. C.O : Central Office. R.O : Regional Office.

2. The staff in Monetary Policy Department (MPD) are not shown separately since the staff are drawn from five other Departments, viz., DEAP, DESACS, DBOD, RPCD and DAPM. The staff strength of MPD in different categories as on December 31, 2006 was 37 in Class I, 17 in Class III and 16 in Class IV.

3. The Department of Payment and Settlement Systems (DPSS) is not shown separately as their staff forms a part of staff strength of DIT.

4. The Banking Codes and Standard Board of India (BCSBI) and Customer Service Department (CSD) have not been shown separately as their staff forms part of RPCD.

5. The staff shown against DCM is inclusive of staff employed in Issue Department.

6. The staff shown against DGBA is inclusive of staff employed in Banking Department, Public Accounts Department and Public Debt Offices.

Table 9.8: Office-wise Strength of Staff
(As on December 31, 2006)

Office	Class I	Class III	Class IV	Total
1	2	3	4	5
1. Ahmedabad	316	334	310	960
2. Bangalore	385	349	315	1,049
3. Belapur	88	180	236	504
4. Bhopal #	145	51	100	296
5. Bhubaneswar	141	161	221	523
6. Chandigarh	187	57	115	359
7. Chennai	416	599	597	1,612
8. Guwahati	163	262	218	643
9. Hyderabad	279	277	331	887
10. Jaipur	225	246	258	729
11. Jammu	81	18	56	155
12. Kanpur *	188	406	432	1,026
13. Kochi	21	68	49	138
14. Kolkata	561	857	797	2,215
15. Lucknow	145	157	123	425
16. Mumbai	746	966	1,373	3,085
17. Nagpur	204	428	314	946
18. New Delhi	453	632	481	1,566
19. Panaji, Goa	6	6	2	14
20. Patna	246	252	288	786
21. Pune (CAB and CRDC)	54	33	89	176
22. Thiruvananthapuram	181	171	184	536
A. Total (1 to 22)	5,231	6,510	6,889	18,630
B. Mumbai Central Office Departments	1,588	1,012	680	3,280
Grand Total (A+B)	6,819	7,522	7,569	21,910

: Includes staff of the sub-office opened at Raipur on January 2, 2007.

* : Includes staff of the sub-office opened at Dehradun on June 30, 2006.

CRDC : Central Records and Documentation Centre.

Promotion of Hindi

IX.43 During the year 2006-07, the Reserve Bank persevered with its efforts to promote the use of Hindi in its working. In fulfilling the statutory requirements of Rajbhasha Policy, involving implementation of the provisions of the Official Languages Act, 1963, the Official Language Rules, 1976 and the Annual Programme issued by the Government of India, Hindi training programmes and other promotional activities such as shield competitions, inter-bank Hindi essay competitions and inter-bank/financial institutions Hindi/bilingual house journal competitions were conducted. Many programmes were conducted at the time of Hindi fortnight observed from September 14, 2006.

IX.44 In order to promote Hindi, the Reserve Bank continued to bring out its various publications in bilingual form, i.e., both in Hindi and English. The

Reserve Bank's Central office publishes a bilingual house journal 'Without Reserve'. The publication 'Banking Glossary' has been revised with the co-operation of the representatives of the public sector banks to enhance its usefulness. The Reserve Bank through its Rajbhasha Department further strengthened the use of Hindi in computerisation. The Reserve Bank's training colleges bring out books in Hindi which featured useful articles on current topics on banking and other related topics. The Bankers' Training College continued its prestigious Hindi publication named '*Banking Chintan Anuchintan*' which is quite popular in the banking sector in India. The regional offices also made attempts to publish regular magazines in Hindi during the year.

IX.45 The Reserve Bank has prepared a 3-year action plan for effective use of Hindi. The action plan includes computer bilingualisation, translation, training in Hindi medium, dissemination of information related to Rajbhasha and initiatives to motivate the Reserve Bank's staff for the use of Hindi. The Reserve Bank's main website has been linked with the Hindi section. The intranet site of Rajbhasha Department is in Hindi only. The intranet sites of various offices/departments are also provided with Hindi section; the intranet site of Department of Economic Analysis and Policy is fully bilingual. An 'Expert Group on Bilingualisation of Computers' has been set up in order to ensure bilingualisation. A translation workshop was conducted for Rajbhasha officers from the Reserve Bank as well as from public sector banks so as to encourage the assimilation of translation work. To make the translation work easy, simple and perceptible, a 'Translation Review Committee' has been constituted. Guidelines regarding the use of Hindi in Banking Ombudsman offices were issued in November 2006. Training programmes 'Intensive Course in Hindi Correspondence in Networking Environment' for officers and 'Entire Work in Hindi through MS Office' for staff members are conducted regularly to enable them to work in Hindi on computers. A special training programme for senior officers was also conducted during 2006-07.

IX.46 The Committee of Parliament for Official Language visited Thiruvananthapuram Regional Office on January 17, 2007 and expressed satisfaction with progress on the use of Hindi in the Office.

Customer Service and Grievance Redressal System in the Reserve Bank

IX.47 The Reserve Bank renders services to members of public, banks, Central and State

Governments and financial institutions in areas covering currency management, Government receipts and payments including tax collections, public debt management, clearing and remittance of funds and foreign exchange. In order to further improve the delivery of customer services, a Customer Service Department was set up in July 2006 by bringing in various customer service activities handled by different departments of the bank under a single roof. Customer Service Department oversees the functioning of the Complaints Redressal Cells (CRCs) functioning in Regional Offices. CRCs cover all service-oriented departments of the Reserve Bank such as the Banking Departments [Public Accounts Department (PAD), Deposit Accounts Department (DAD), and Public Debt Office (PDO)], Foreign Exchange Department and Issue Department. In order to achieve optimum awareness and improvement of customer service in the Reserve Bank, the CRC uses a variety of tools like release of advertisements, Citizens' Charter, branch level meetings, status reports and reviews by the Local Board. All the full-fledged Reserve Bank offices issue advertisements on the first Sunday of January and July every year, giving wide publicity about the functioning of the CRCs at various centers and also at the Central Office. The advertisement also gives the names and contact details of the Grievance Redressal Officers at the Regional Office and Central Office. The Citizens' Charter specifies the timeframe for each of the customer related activity of the Banking Department. The Citizens' Charter is prominently displayed in the Banking Departments for the benefit of the members of the public visiting the Bank's premises for availing various kinds of services. As per the recommendations of the Committee on Procedures and Performance Audit on Public Services (CPPAPS), the Regional Offices assess the level of their customer service every quarter. The shortcomings/exceptions observed during this process are rectified in consultation with the Central Office departments. *Incognito* visits are conducted by the Chief General Managers on their visits to Regional Offices to assess the level of customer service at the ground level. The issues relating to the customer service and redressal of complaints are discussed in the monthly meetings of the Branch Level Management Committees. The status of receipt/redressal of complaints is reviewed in the quarterly meetings of the Local Boards of the Reserve Bank. During 2006-07 (July-March), 157 complaints were received against the Reserve Bank of which, 111 pertained to Issue/Cash Department. The largest

number of complaints was received at Mumbai and Bhopal offices.

IX.48 During 2006-07, various innovative measures were taken for improving customer service in the areas of banking, currency, foreign exchange and clearing mechanism. These included evaluation of customer satisfaction, financial inclusion and financial education. Training programmes/workshops/meetings were conducted to educate officials of various banking and non-banking organisations, such as, State and Central Government undertakings, authorised foreign exchange dealers, rural and urban money lenders, representatives of major NGOs, professors and farmers' organisations. The Regional Offices held informal meetings with controlling heads of banks and impressed upon them the need to take effective steps for financial inclusion. Bhubaneswar and Lucknow offices achieved 100 per cent financial inclusion in select districts in their States with the help of banks, district magistrates, chief development officers and NABARD. Officers of some Regional Offices made *incognito* visits to bank branches to assess, *inter alia*, the level of customer service, foreign exchange business conducted, exchange of defective notes, display of service charges, interest rates on deposits and cheque drop box facility. The deficiencies found were taken up with the controlling offices for corrective action.

IX.49 As part of its efforts to spread awareness about electronic clearing products, Thiruvananthapuram office invited a large number of users – corporates, college students, State and Central Government undertakings – for a detailed presentation on various electronic funds transfer products, *viz.*, electronic clearing service (ECS), national electronic funds transfer (NEFT) and real time gross settlement (RTGS). A pamphlet prepared on the ECS was released on the occasion.

IX.50 Chennai office set up a pavilion in the 33rd India Tourism and Industrial Fair 2007 to create awareness among the public on issues such as the Reserve Bank's role as a central bank, Clean Note Policy, security features of new series notes, and Star series notes. Banners and posters on detection of forged notes, foreign exchange facilities for residents, guidance on investment in NBFCs and key features of the new Banking Ombudsman Scheme, 2006 were displayed in the pavilion. Hyderabad Office participated in the "Hyderabad Coins and Notes Fair – 2007" organised by the Philatelic and Hobbies Society, Secunderabad in which the officers interacted with visitors. The features of genuine

banknotes and ways to identify forged notes were explained with the aid of posters, power point presentations, film shows, and pamphlets. Patna office set up a 'Help Desk' at the venue of the "Global Meet for a Resurgent Bihar" and also distributed FAQs on various foreign exchange matters among the delegates.

Complaints Redressal Mechanism – Prevention of Sexual Harassment of Women at Workplace

IX.51 Pursuant to the guidelines laid down in the Supreme Court Judgment [Vishaka and Others vs. State of Rajasthan (1997) SCC 241], a Complaints Redressal Mechanism for prevention of incidence of sexual harassment of women at workplaces was put in place in the Reserve Bank in 1998. Under the system, a Central Complaints Committee (CCC) headed by a lady officer in Grade 'F' is functional at the Central Office level. In order to provide an easy access to the complaints redressal mechanism for the lady staff working in offices located at various other places, additional Complaints Committees have been formed at six locations in the Reserve Bank's offices at Mumbai and 20 Regional Offices. These Committees are also headed by senior woman officers. The CCC and the Regional Complaints Committees (RCCs), besides having a NGO member each, have more than 50 per cent women members. The CCC acts as the focal point for all the Complaints Committees constituted at 20 centres of the Reserve Bank as well as for the six Committees formed in various premises of the Reserve Bank in Mumbai. During 2006-07 (July-May), four complaints of the alleged harassment were received by the Complaints Committees from aggrieved women employees. Of these, one complaint did not fall under the purview of the Committee and in another case, no sexual harassment, as alleged, was involved; the third complaint is being investigated, whereas in the fourth case, the CCC has submitted its report for further action.

IX.52 A survey conducted in the Reserve Bank to ascertain the level of awareness among the lady staff members about the Supreme Court guidelines and the remedies available in the system found that (i) a majority of women staff – three out of four surveyed – believed that the complaints committees could settle the issues of sexual harassment; (ii) 94.5 per cent of the surveyed lady staff felt that the working environment in the Reserve Bank was healthy/conducive; (iii) a majority of the respondents felt that it was the responsibility of both men and women

employees to keep work environment healthy in the Reserve Bank; and (iv) 10.5 per cent of women employees reported having faced some form of sexual harassment in the office; however, they did not report the instances and preferred to remain quiet or handle the situation themselves and some expressed having undergone extreme anguish under such circumstances.

IX.53 A two day seminar was arranged on September 6 and 7, 2006 at Zonal Training Centre, Kharghar to impart training to the Chairpersons of the RCCs on the issues relating to prevention and redressal of sexual harassment of women at workplaces. The seminar, inaugurated by Smt. Shyamala Gopinath, Deputy Governor was conducted by Dr. H. S. Rana, Additional Director, National Institute of Public Administration, Bangalore. In all, 23 Chairpersons/members of complaints committees participated in the seminar. The seminar covered topics such as Supreme Court guidelines, facts and figures of sexual harassment, constitutional safeguards and sexual harassment, constitution of complaints committees, preventive measures, redressal mechanism, and background of the latest guidelines. This was the first occasion when all the Chairpersons could meet, interact and exchange their views on the subject after the formation of the RCCs.

Premises Department

IX.54 In order to provide better all-around ambience at work and residential colonies, the Premises Department focused on ensuring better services and maintenance standards at the Reserve Bank's offices and residential premises. Older electrical/electromechanical installations are being upgraded to ensure energy efficiency and environmental protection. A special thrust is also being given to upgrading the residential premises owned by the Reserve Bank. Efforts were made during the year to decentralise and simplify procedures to increase the level of outsourcing of activities and to improve overall efficiency in delivery of services.

IX.55 As a result of business planning and property strategies and rationalisation/consolidation of work-space and living space, in the context of changes in the functions and manpower requirements of the Reserve Bank, three surplus properties were identified and disposed off during 2006-07. A documented policy for disposal of surplus property, duly approved by the Central Board of the Reserve Bank, is in place. The Reserve Bank is making efforts

towards further consolidation of its properties across the country.

Inspection of Offices/Departments in the Reserve Bank

IX.56 In order to enhance the effectiveness of the internal inspection/audit process, Management Audit & Systems Inspection (MA&SI), Information Systems Audit (ISA), Concurrent Audit (CA) and Control Self-Assessment Audit (CSAA) of the offices/departments of the Reserve Bank are undertaken at prescribed intervals. The focus of the MA&SI is on three 'E's, i.e., efficiency, economy and effectiveness of the system. The MA&SI evaluates the adequacy and reliability of existing systems and procedures to ensure that laws, regulations, internal policy guidelines and instructions are meticulously followed. Apart from conducting systems inspection, the inspection teams also conduct the management audit under which aspects relating to organisational goals, delegation of power, customer service in the department/office and management efficacy are also looked into. During 2006-07, systems inspections, including information systems audits of 15 Regional Offices (ROs), 10 Central Office departments and two training establishments were completed. In addition, six special scrutinies were carried out. Compliance Audit of PDO-NDS was also completed during this period. The compliance position in respect of major findings of MA&SI reports is monitored by the Executive Directors' Committee under the overall supervision and guidance of the Inspection and Audit Sub-Committee (IASC) of the Central Board. During 2006-07, four meetings of the IASC, three meetings of the Executive Directors' Committee and twelve meetings of CGMs' Committee were held.

IX.57 During 2006-07, snap audits of 16 Regional Offices, 24 Central Office departments and three training establishment were conducted. The functions relating to monitoring and guidance of CA and CSAA for ensuring comprehensive coverage of work areas/activities were undertaken under Audit Monitoring Arrangement. The functioning of the system of CA and CSAA was reviewed and measures to improve upon areas found deficient were advised to the auditee departments/offices concerned. The Inspection Department also extended faculty support for conducting training programmes/workshops on CSAA.

IX.58 In keeping with the recommendations of the Committee on Procedures and Performance Audit on

Public Services (CPPAPS), it was decided to take up the ISO 9001-2000 Certification process in phases. ISO 9001-2000 is a generic management standard providing an internationally accepted framework for establishing quality management systems with customer focus and continual improvement as the key elements. During the first phase, the ISO 9001-2000 certification was obtained for Department of Government and Bank Accounts (DGBA) and Department of Currency Management (DCM) at the Central Office and Issue and Banking Departments at Hyderabad and Kolkata offices. In the second phase, Issue and Banking Departments at New Delhi, Jaipur, Chennai and Bangalore offices were taken up for ISO 9001-2000 implementation and are in readiness to achieve Certification shortly. In the third phase, the process of implementing the Standards at Issue and Banking Departments at Ahmedabad, Nagpur, Bhopal and Thiruvananthapuram offices has been initiated. Furthermore, action has also been initiated to cover Department of Administration and Personnel Management (DAPM), Human Resource Development Department (HRDD) and Department of Economic Analysis and Policy (DEAP) under such Certification.

IX.59 As a part of the Reserve Bank's continuing initiatives to adopt and adhere to international best practices and standards, BS7799 certification (Information Security Management System Certification) was obtained for two of its important work areas, viz., internal debt management and external investments and operations handled by Internal Debt Management Department (IDMD) and Department of External Investments and Operations (DEIO), respectively. The BS7799 certification at IDMD and DEIO has been upgraded to ISO27001 – a new Standard having more clauses/features *vis-à-vis* BS 7799. The ISO27001 standards are internationally recognised information security management standards, which define the desired methods of controlling the confidentiality, integrity and availability of information. The certification under these standards implies establishment/existence of requisite policies for information security management, their effective implementation and suitable mechanism for improvement in the domain, in tandem with the functional information security requirements. In the second phase of certification, two more departments, viz., Department of Banking Supervision (DBS) and Department of Banking Operations and Development (DBOD) have been taken up for ISO 27001 Certification.

Department of Expenditure and Budgetary Control

IX.60 The Department of Expenditure and Budgetary Control (DEBC) prepares the Reserve Bank's Annual Budget and also provides services to the Reserve Bank's own staff. As regards the Annual Budget, initiatives were taken during 2006-07 to improve/simplify the budgetary process. These included permitting (i) interchangeability between sub-heads (ii) deviations in seasonal expenditures like Leave Fare Concession (LFC) in the quarterly reports, and (iii) overall budget utilisation within the range of 5 per cent of the budgeted amount.

Dissemination Policy

IX.61 In order to explain the rationale and the analytics of its policies to the public, the Reserve Bank disseminates a wide range of information through press releases, notifications, master circulars, publications, speeches, frequently asked questions and advertisements. During the year ended June 30, 2007, the Reserve Bank issued 1,826 press releases, 79 master circulars and 447 notifications. It organised meetings, workshops and seminars to interact with special audiences. The e-mail helpdesks continued to furnish replies to the queries raised by the general public. Members of the public continued to send their queries relating to various services provided by the Reserve Bank through e-mail/telephone/fax to the helpdesks set up in various departments and Regional Offices. These queries are over and above the queries received under the Right to Information Act.

IX.62 With accent on transparency and accountability the Reserve Bank has been making increasing use of its website (URL: <http://www.rbi.org.in>) in communicating with external audiences. As against adding an average 10 MB material in a year, the material added to the site now is close to 2.5 GB. The total size of the website in about 10 years has increased to 13.5 GBs. In keeping with its two-way communication policy, the Reserve Bank also uses the site to seek feedback on draft reports and recommendations of expert groups. During 2006-07, three draft reports and 10 draft guidelines were placed on the website for feedback. Having revamped its English website in 2005 with the intention of making it more attractive and customer-friendly, the Reserve Bank undertook a similar task for its Hindi website. The number of users registering themselves for receiving information available on the Reserve Bank's website through email went up to 7,399 during the year from 5,630 during 2005-06.

IX.63 Making use of the available technology, the Reserve Bank extended its communication relating to monetary policy to six of its Regional Offices - Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata and New Delhi, apart from Mumbai. This was enabled through the video conferencing facility. It gave an opportunity to the regional press to interact with the Governor. The webcast of the Governor's press conferences on monetary policy has further strengthened the communication framework of the Reserve Bank. The webcast of the press conference held at the time of the Mid-term Review on October 31, 2006 was accessed by 465 persons while that of the Annual Policy Statement on April 24, 2007 was accessed by 1,803 persons.

IX.64 The Reserve Bank arranges, from time to time, interactive seminars for press persons with the objective of familiarising them with the basic concepts in banking/finance/central banking. Such seminars have now become a part of the Reserve Bank's media outreach programme. Five such seminars were held during the year. A first-ever interactive seminar for senior journalists was also arranged in May 2007 with the objective of facilitating interaction between the top executives of the Reserve Bank and senior presspersons on relevant issues under the Reserve Bank's purview.

IX.65 To give an insight into its role and functions, the Reserve Bank, in 2006, embarked on a programme of encouraging school/college students and other interest groups of the public to visit the Reserve Bank. The programme includes interactive session between students and the Reserve Bank officials on issues relating to central banking and economy, a tour of the Monetary Museum and a visit to the National Clearing Cell where cheques are processed. During the year, 496 visitors from 10 schools and others organisations visited the Reserve Bank under this arrangement.

IX.66 Given the current focus of the Reserve Bank on financial education and literacy, a massive effort for preparing material on subjects of interest to the common person has been undertaken. As a precursor to this effort, a multi-lingual website was released in June 2007. Aimed at giving information to the common person that he can use in his own language the site has instructions issued by the Reserve Bank on banking matters, customer grievance redressal mechanism and the Right to Information Act. The site also has a section explaining the role and functions of the Reserve Bank, interesting aspects about currency and the Reserve

Bank's history. The site is available in 11 regional languages apart from Hindi and English.

The Right to Information Act, 2005

IX.67 The Government of India enacted the Right to Information Act, 2005 on June 15, 2005. The Act, which came into effect from October 12, 2005, aims at providing the right to information to citizens in order to promote transparency and accountability in the working of every public authority. The Reserve Bank, as a public authority, as defined in the Right to Information Act, 2005 is obliged to provide information to the members of public. Central Assistant Public Information Officers (CAPIOs) have been designated to receive the applications for information or appeals under the Act at all Regional Offices and Central Office departments. The Reserve Bank has designated Shri V.S. Das, Executive Director, as the Chief Public Information Officer (CPIO) and Shri H.N. Prasad, Principal Chief General Manager as the Alternate CPIO in the absence of regular CPIO. Dr. Rakesh Mohan, Deputy Governor, has been designated as the Appellate Authority (AA) and Shri V. Leeladhar, Deputy Governor, as the Alternate AA in the absence of regular AA.

IX.68 Increased awareness of the Act resulted in a rise in the number of requests for information received from 796 (October 2005 to June 2006) to 2,163 (July 2006 to June 2007). Almost 95 per cent of the requests received during the period were resolved. Furthermore, 393 appeals against non-disclosure of information were received by the Bank's Appellate Authority. In 53 such cases, the appellants approached the Central Information Commission(CIC) (Table 9.9). Some of the major decisions of the Central Information Commission are in Box IX.1.

Risk Management

IX.69 The Reserve Bank performs several functions of a diverse nature. These functions expose the Reserve Bank to various risks such as market risk, credit risk, liquidity risk and operational risk. Market risk is one of the critical sources of risk faced by the Reserve Bank which arises from revaluation of its financial assets due to exchange rate and interest rate changes both in India and abroad. The balance sheet of the Reserve Bank has become very sensitive to exchange rate changes due to increase in the share of foreign currency assets in its balance sheet in recent years. Since foreign currency assets are invested in fixed income instruments, they are also subject to interest rate changes. Deployment

Table 9.9: Right to Information Act – Requests Received and Resolved

Item	2006-07 (July to June)
1	2
A. i) Requests Received	2,163
ii) Requests Resolved	2,050
<i>of which:</i>	
a) Requests met fully	1,062
b) Requests met partly	329
c) Requests declined	270
d) Resolved in other manner	389
iii) Under Consideration	113
B. Appeals received by the Bank's Appellate Authority (AA)	393
<i>of which:</i>	
i) Appeals under consideration	96
ii) Number of appeals disposed of	297
a) Number of appeals allowed/partially allowed by AA with direction to furnish additional information	118
b) Appeals where CPIO's decisions were upheld	179
C. Appeals Referred to Central Information Commission	53
<i>of which:</i>	
i) Orders issued	24
a) Appeals partially allowed	7
b) Appeals where CPIO/AA's decisions were upheld	17
ii) Under Consideration	29

of foreign currency assets and gold in deposits and debt instruments, lending or refinancing operations of the Reserve Bank expose it to credit risk. Liquidity risk arises when foreign currency assets are to be converted into cash for intervening in the markets or meeting any other cash obligations. The Reserve Bank is also exposed to operational risk which may result in direct or indirect loss on account of inadequate or failed internal process, people and systems or from external events.

IX.70 These risks are managed in line with the laid down policy. Market risk is periodically monitored. Credit risk is managed by placing limits for counterparties and entering into transactions through delivery *versus* payment systems. Liquidity risk is effectively managed by deploying a considerable proportion of foreign currency assets in highly liquid assets.

IX.71 Adequate measures have also been taken to mitigate operational risk by ensuring sound internal control systems/inspection/audit arrangements and

Box IX.1

Major Decisions of Central Information Commission (CIC)

1) Inspection Reports of the Reserve Bank: The Central Information Commission, while examining the validity of the exemption claim made by the Reserve Bank in relation to its Inspection Reports, granted absolute discretion to the Reserve Bank to assess the desirability of disclosure of Inspection Report in individual cases. The Full Bench of the CIC observed as under: "...the RBI is entitled to claim exemption from disclosure under section 8(1) (a) of the Act if it is satisfied that the disclosure of such report would adversely affect the economic interests of the State. The RBI is an expert body appointed to oversee this matter and we may therefore rely on its assessment. The issue is decided accordingly." *Decision of the CIC in Shri Ravin Ranchhodlal Patel and Shri Madhav Balwant Karmarkar vs. Reserve Bank of India (December 7, 2006).*

2) File notings on the basis of information received in a fiduciary capacity exempt from disclosure: On a complaint filed before the Chief Public Information Officer (CPIO) of the Reserve Bank on the issue of unauthorised withdrawal of money from an account in the *Gurgaon Gramin Bank (GGB)*, the CPIO furnished copies of the correspondence between the Reserve Bank and GGB and advised the appellant the action taken on her complaint. On the basis of office notings, replies obtained from the GGB were furnished to the appellant. However, a copy of the office notings was denied, since these were confidential and privileged documents containing information furnished by the bank in fiduciary capacity, claiming exemption from disclosure under section 8(1) (e) and (j) of the RTI Act. The appellate authority upheld the decision of the CPIO and the CIC ruled: "there is as such no question of denial of information from RBI as all the information asked for has already been provided to the appellant except copies of the notings from the concerned file of the Bank. In the instant case, file notings in possession of RBI are furnished by the Gramin Bank (third party) in fiduciary capacity. Therefore, the exemption under section 8(1) (e) has been correctly applied by the public authority". *Decision of the CIC in Mrs. Sunita vs. Reserve Bank of India (June 19, 2006).*

3) Only citizens entitled for information: "An Association or a Company is not and cannot be treated as a citizen even though it may have been registered or incorporated in the country. A natural born person can only be a citizen of India under the provisions of Part II of

the Constitution. Section 3 of the Right to Information Act, 2005 gives the right to information to all citizens. Thus, it is quite clear that a person who is not a citizen cannot claim this right." *Decision of the CIC in D.N. Sahu vs. Ministry of Urban Development (May 9, 2006).*

4) RTI Act cannot be used for redressal of grievances: "The RTI Act cannot be confused with an instrument for grievance redress *albeit* the information obtained through it can be so used with telling effect." *Decision of the CIC in Pratap Singh Gandas vs. Delhi Electricity Regulatory Commission (January 11, 2006).*

5) RTI application cannot be used to enquire into why, how and in what manner a decision was taken: "In terms of the provisions of the RTI Act, the mandate for the CIC is to make available to a citizen, the information in possession of a public authority, by giving appropriate directions. It has no powers to either enquire into why, how and in what manner a decision was taken or to direct how and in what manner the affairs of a public authority are to be conducted." *Decision of the CIC in Ms. Nita Arya, UDC, Department of Health and Family Welfare vs. Ministry of Health and Family Welfare (June 19, 2006).*

6) Details of annual immovable property returns of an officer exempt from disclosure: "The information requested for is in the nature of personal information, the disclosure of which may cause unwarranted invasion of privacy of an individual officer. The exemption from disclosure of information under Section 8(1)(j) of the Act has therefore been correctly applied by the appellate authority." *Decision of the CIC in Mukesh Kumar vs. Department of Revenue, Ministry of Finance (February 22, 2006).*

7) PAN/TAN are personal information: "PAN is a statutory number, which functions as a unique identification for each tax payers. Making PAN public can result in misuse of this information by other persons to quote wrong PAN while entering into financial transactions and also could compromise the privacy of the personal financial transactions linked with PAN. This also holds true for TAN. Information relating to PAN and TAN, including the date of issue of these numbers, are composite and confidential in nature under Section 138 of the Income Tax Act." *Decision of the CIC in Arun Verma vs. Director General of Income Tax (Systems), New Delhi (March 3, 2006).*

well laid down procedures and policies, business continuity plan for systems, insurance and physical safety of assets, process control and validation checks for data integrity. For managing the operational risk, increased emphasis is being placed

on promoting human integrity and alertness. Since operational risk is unquantifiable, the Reserve Bank has also initiated measures for developing a database of past losses/operational risks to analyse and control the same.

IX.72 As a part of its traditional central banking function, the Reserve Bank has been acting as a banker to the Central Government as also to the State Governments. Over the years, commercial banks have also been involved as agents of the Reserve Bank to carry out such functions. Government business carried out by the Reserve Bank and by agency banks is subject to many operational and reputational risks. In order to better manage these risks, the Reserve Bank has taken a number of measures such as ensuring multiple banking arrangements, nominating alternate clearing banks and putting in place back-up arrangements. Furthermore, with a view to controlling and mitigating the operational risk in general and human risk in particular, the Reserve Bank undertakes periodic reviews and revisions of operational manuals and work procedure.

IX.73 The Reserve Bank has taken up the task of introducing Risk-based Internal Inspection across the Bank. An internal Task Force was constituted in the Inspection Department with the objective of evolving a framework for a Risk-based Internal Inspection by profiling activities undertaken, as per inherent perceived risk, in the various offices/departments, training establishments and subsidiaries. The Reserve Bank has also consulted the Institute of Internal Auditors (IIA), Mumbai and M/s Ernst & Young in the matter. A 'pilot' on risk assessment has been undertaken by the Inspection Department with assistance from M/s Ernst & Young at Chandigarh, Kolkata and Mumbai Regional Offices of the Bank, besides Urban Banks Department (MRO).

IX.74 The Reserve Bank as the central bank manages the payment and settlement systems of the country, which also entail counterparty and operational risks. In the recent past several measures have been taken to manage the risks in the payment and settlement systems. The Reserve Bank has introduced the real time gross settlement (RTGS) system, under which processing of payment instructions or messages is required to be undertaken on a real time basis separately for individual transactions. Thus, the counterparty risk in the RTGS is obviated. The attendant problem of excess liquidity requirement under the RTGS is also effectively managed through liquidity saving features such as queuing, prioritisation, gridlock resolution mechanism and intra-day liquidity support from the Reserve Bank. The RTGS is now the core payment system in India and recognising its risk mitigating features, the netting based inter-bank clearings (where the settlement of payables and receivables

of participants in clearing is done on a net basis) have almost been closed down.

IX.75 All other payment systems (other than RTGS) function on a deferred net settlement systems (DNS) basis. This comprises both large-value payment systems [inter-bank government securities clearing system, inter-bank foreign exchange clearing system and collateralised borrowing and lending operations (CBLO)] and retail payment systems [paper-based MICR and non-MICR clearing systems and high value clearing system; and electronic systems such as electronic clearing service (ECS-credit and debit), electronic funds transfer (EFT) system and national electronic fund transfer system (NEFT)]. These are operated by the Reserve Bank, State Bank of India and other public sector banks. For large value netting systems, clearing is now settled on a central counterparty arrangement basis, where Clearing Corporation of India Limited (CCIL) acts as a counterparty. The central counterparty arrangement has since stabilised and has enabled better management of risks. In respect of cheque clearing and other low value electronic clearing systems, India has a modified version of 'unwind' (the system of excluding the defaulting participant and reworking the settlement as if it never participated in the clearing on that particular day) which is known as 'partial unwind'. Under this system, in the case of a default by one or more participants in a DNS system, the instruments drawn on the defaulter and presented to it are taken back by other participants, while the value of instruments drawn on other participants and presented by the defaulter are put in a suspense account.

IX.76 One of the key driving factors in all the IT initiatives is the need to ensure business continuity in the event of a contingency. Therefore, in all the systems implemented, particularly the critical payment system application systems (such as the RTGS, CFMS, Public Debt Office-Negotiated Dealing System (PDO-NDS) and SFMS), high importance has been given to uninterrupted availability. Periodical disaster recovery (DR) drills are conducted for all participating members for these systems. During April 2007, a hardware failure – the first of its kind during the course of live operations on a regular day since the installation of these systems in 2001 – pertaining to the mainframe computer system necessitated a live switchover to the disaster recovery site for the payment system applications. The recovery from the DR site was done within 4 hours, matching international standards.

Research Activities

IX.77 In view of the ongoing structural changes in the Indian economy brought out by the forces of deregulation, liberalisation and growing external integration of the economy, the importance of timely and adequate analytical inputs for the formulation of the Reserve Bank's policies has assumed greater importance. Like other major central banks, the Reserve Bank has developed its own research capabilities in the field of economics and statistics, which contribute to a better understanding of the functioning of the economy and the ongoing changes in the transmission mechanism. Against this backdrop, the Reserve Bank's research departments - Department of Economic Analysis and Policy (DEAP) and Department of Statistical Analysis and Computer Services (DESACS) - continued to provide analytical research on various aspects of the Indian economy in the conduct and formulation of policies by the Reserve Bank.

Department of Economic Analysis and Policy

IX.78 The Department of Economic Analysis and Policy provided policy research relating to various aspects of the economy. The Department also contributed to the Reserve Bank's efforts to disseminate information to the public about its policies and assessments through major publications. The statutory reports prepared in the Department and released during the year were the Reserve Bank's Annual Report, 2005-06, and the Report on Trend and Progress of Banking in India, 2005-06. The Report on Currency and Finance, 2005-06 covering the theme "Development of Financial Markets and Role of the Central Bank" was released during the year. The Report assessed the various aspects of the development of the different segments of the financial market and also provided a way forward for each market segment for further development of financial markets in India. The publication "State Finances: A Study of Budgets of 2006-07", providing a comprehensive assessment of the evolving developments and trends in consolidated finances of the State Governments, was released during the year.

IX.79 The document 'Macroeconomic and Monetary Developments' continued to be released on a quarterly basis during 2006-07 along with the Governor's Annual Policy Statement/Mid-term/Quarterly Reviews. Presentations on macroeconomic and monetary developments were made before the

Technical Advisory Committee on Monetary Policy at each of its quarterly meetings during the year.

IX.80 The Department is entrusted with the responsibility of compiling the major macroeconomic aggregates such as data on monetary aggregates, balance of payments, consolidated State finances, and household financial savings. Detailed time-series statistical information covering various sectors of the Indian economy – real, monetary, fiscal, external and financial markets – continued to be released through the publication "Handbook of Statistics on Indian Economy, 2005-06" for the use of researchers. The publication provides annual data (in many cases from 1950-51 onwards), quarterly/monthly data (from 1990-91 onwards) as well as daily data in the case of many financial variables for the last few years. The Department also disseminated information on key parameters of the Indian economy in the Reserve Bank's Monthly Bulletin and its Weekly Statistical Supplement. The Reserve Bank of India Occasional Papers continued to publish analytical studies in the areas concerning the Indian economy. The Department also provided technical inputs to other Departments and participated in several Inter-Departmental Groups. The Department coordinated the work relating to Article IV consultations with the staff of the IMF. The Department organised a series of seminars/lectures by foreign dignitaries and experts from India.

IX.81 The Department provided secretarial support to the Working Group on Savings for the Eleventh Five Year Plan (2007-08 to 2011-12) (Chairman: Dr. Rakesh Mohan). The Department organised the 2nd P.R. Brahmananda Memorial Lecture. The lecture "Governance Institutions and Development" was delivered by Professor Avinash K. Dixit, John J.F. Sherrerd '52 University Professor of Economics, Princeton University on June 28, 2007.

IX.82 The Development Research Group (DRG), constituted in the Reserve Bank in November 1991, serves as a forum for collaborative research efforts between professional economists and officers of the Bank. The DRG has published 25 studies since its inception on a wide range of subjects relating to real, monetary, fiscal, banking, external and social sectors. During 2006-07, two more studies were initiated: (i) An Inquiry into the Trends and Pattern of Deposit Growth; and (ii) GDP Indexed Bonds. The ongoing studies include, *inter alia*, (i) Municipal Finances in India; (ii) Dutch Disease Phenomenon in Brazil, Nigeria, Malaysia and Russia with Lessons for India's Trade Policy; and (iii) Inequalities in Cooperative Agricultural Credit: A Case Study of Maharashtra.

IX.83 Since 2001, the DRG has been entrusted with the work related to the Reserve Bank's Endowment Scheme. Under the scheme, financial support is provided to various institutions for the purpose of research and training in areas of interest to the Reserve Bank. The financial support is provided through corpus funds. At present, there are 21 corpus funds with a total corpus of around Rs.25 crore. The various institutes receiving support under the scheme are: University of Mumbai, Mumbai; Centre for Development Studies, Thiruvananthapuram; Institute of Economic Growth, New Delhi; Institute for Social and Economic Change, Bangalore; National Institute of Public Finance and Policy, New Delhi; Council for Social Development, Hyderabad; Centre for Studies in Social Sciences, Calcutta; Indian Council for Research on International Economic Relations, New Delhi; Utkal University, Bhubaneswar; Madras Institute of Development Studies, Chennai; Institute of Rural Management, Anand; Gokhale Institute of Politics and Economics, Pune; Indian Institute of Management, Ahmedabad; M.S.University of Baroda, Vadodara; Jawaharlal Nehru University, New Delhi; Indian Institute of Management, Bangalore; National Council of Applied Economic Research, New Delhi; Centre for Economic and Social Studies, Hyderabad; Sameeksha Trust, Mumbai; and National Law University, Jodhpur.

Library

IX.84 The Central Library of the Reserve Bank attached to the Department of Economic Analysis and Policy (DEAP) plays an important role in the collection, storage and dissemination of information. The Library has a comprehensive collection of books, journals,

working papers, reports, CD-ROMs and other documents. The Library maintains electronic database of all these documents (OPAC – Online Public Access Catalogue), which can be accessed through intranet from the Central Office building and from all other offices of the Reserve Bank. Through its home page, the Library offers access to various online databases such as ECONLIT, Proquest Business Periodicals Database (covering 4,000 journals), Elsevier Science Direct online, DATASTREAM, ISI Emerging Markets Online, Lexis-Nexis Online, and Springer Online Journals, and discussion papers and special papers of major international research organisations. Other online services provided by the Library include PROWESS, CAPEX, and World Bank eLibrary. The Library database has 104,483 records which cover books and other documents. The Library receives 344 technical journals. The Library also provides information services and support to training colleges and libraries in other offices of the Reserve Bank.

Department of Statistical Analysis and Computer Services

IX.85 The Department of Statistical Analysis and Computer Services (DESACS) provides high quality statistical service which encompasses collection, compilation, analysis and dissemination of information relating to various sectors of the economy. The Department is also entrusted with managing electronic data dissemination platforms, viz., Central Database Management System (CDBMS) and Database on Indian Economy (DBIE) (Box IX.2). Providing technical support to other departments in statistical analysis and large-scale data management in specific areas also form the core activities of the Department.

Box IX.2 Coverage of Database on Indian Economy (DBIE)

The Reserve Bank of India provides time series data to the researchers through a number of channels. One such channel is web-based access through the Database on Indian Economy (DBIE) introduced on November 1, 2004. It is accessible from the 'Database' page of the Reserve Bank website (www.rbi.org.in) or, alternatively, through the URL <https://cdbmsi.reservebank.org.in>. Time series data relating to the areas of financial sector, real sector, financial markets, external sector, public finance and corporate finance are made available through the DBIE. The coverage of the DBIE is being progressively enlarged on the basis of feedback received from users and timely availability of data series. As of now, there are 182 static

reports, arranged according to subject area as well as frequency. In addition, 72 subject area-wise data query reports and 53 frequency-wise data query templates have been provided, which help users to create their own reports.

A "Standing Advisory Group on DBIE" was constituted under the chairmanship of Dr. R.B. Barman, Executive Director, Reserve Bank to review the contents and formats of the DBIE. The Advisory Group also reviewed metadata, i.e., data definitions and concepts relating to data series in the database. The users can navigate from metadata to the related data/reports. They can also navigate from data/reports to the relevant metadata.

IX.86 During 2006-07, the Department conducted the following surveys: (a) quarterly *Industrial Outlook Survey*, providing insight into the performance and prospects of the private corporate sector engaged in manufacturing activities; (b) quarterly *Inflation Expectation Surveys* covering 4000 households in 12 cities to gauge inflation expectations; (c) Survey of *Small Borrowal Accounts* (each with credit limit of Rs.2 lakh or below) with March 31, 2006 as the reference period; (d) *Survey of Inventories, Order Books and Capacity Utilization, 2006-07* (re-launched in April 2007). The Department also extended help in conducting a study on services to depositors and small borrowers in rural and semi-urban areas.

IX.87 In collaboration with concerned official statistics agencies, the Department is developing methodologies for the Banking Service Price Index (both direct and intermediation), Housing Price Index, integration of Consumer Price Index [Urban Non Manual Employees (UNME)] and CPI (Urban), estimation of GDP and Financial Intermediation Services Indirectly Measured (FISIM) in respect of mutual funds, and Housing Starts Index. Besides, the Department is engaged in developing leading economic indicators under the aegis of a Technical Advisory Group (TAG) for tracking future movements of the Indian economy.

IX.88 In order to streamline the process of receiving data from commercial banks, the Reserve Bank has initiated action to implement an on-line returns filing system (ORFS). The system is expected to: (a) rationalise the data submission process between banks and the Reserve Bank; (b) standardise exchange of data and metadata in the banking system; and (c) reduce delays in data receipt and improve its quality. During 2006-07, the system has been implemented in the case of 17 returns. Phase II of the project would cover 42 returns and work is on towards implementation of the system for all data submitted by commercial banks and other financial entities to the Reserve Bank and other concerned agencies.

IX.89 The Reserve Bank has joined the Bank for International Settlements (BIS) databank since February 2006 and, on the principle of reciprocity, is providing 57 Indian data series and receiving more than 35,000 data series from the BIS databank member countries. Effective February 2007, these data have made available to the users in the Reserve Bank through the CDBMS platform to facilitate cross-country analysis.

IX.90 The BIS system of quarterly compilation of International Banking Statistics (IBS) was implemented by the Reserve Bank in December 1999. The data on IBS of India comprising 18 statements on Locational Banking Statistics (LBS) and 5 statements on Consolidated Banking Statistics (CBS) have been supplied to the BIS since March 2001 and the BIS has been including the IBS of India in their publications since December 2001. During the year, LBS and CBS statements, in the revised format, based on IBS data for the five quarters end-March 2006 to end-March 2007 were supplied to the BIS.

IX.91 In order to ensure improvement in quality/coverage of Basis Statistical Returns (BSR) system, IBS data, external sector returns and other returns, the Department conducted workshops/training programs for officials of participating banks at the colleges and various centres of the Reserve Bank.

IX.92 The Reserve Bank released the 'Manual on Financial and Banking Statistics' based on the recommendation of the Steering Committee set up by the Ministry of Statistics and Programme Implementation, Government of India. The Manual is a reference guide and provides a methodological framework for compilation of statistical indicators encompassing various sectors, viz., monetary statistics, banking statistics, external sector statistics and fiscal sector statistics, and is expected to facilitate better understanding of conceptual issues and their measurement.

IX.93 To commemorate the birth anniversary of Professor P.C. Mahalanobis which has been designated as 'Statistics Day' by the Government of India, the Department organised the first 'Annual Conference on Financial Statistics' on June 29, 2007. The programme was inaugurated by Dr. Rakesh Mohan, Deputy Governor, Reserve Bank. Eminent speakers, including Professor Kirit Parikh, Member, Planning Commission and Professor Kaushik Basu, Director, Program on Comparative Economic Development, Cornell University delivered lectures during the conference.

CENTRAL BOARD AND ITS COMMITTEES

IX.94 Seven meetings of the Central Board were held during the year ended June 30, 2007. Of these, four meetings were held at traditional centres (New Delhi, Kolkata, Chennai and Mumbai) and three were held at non-traditional centres (Raipur, Hyderabad and Shimla). Forty-six weekly meetings of the

Committee of the Central Board were held during the year at Mumbai. Three Committees (Committee of the Central Board, Board for Financial Supervision and Board for Payment and Settlement Systems) and three sub-Committees (Inspection and Audit Sub-Committee, Staff Sub-Committee and Building Sub-Committee) have been constituted to assist the Central Board in direction of the affairs of the Reserve Bank. The Committee of the Central Board, as usual, attended to the current business of the Reserve Bank, including approval of the Reserve Bank's weekly accounts pertaining to the Issue and the Banking Departments. The discussions at the meetings of the Central Board broadly covered matters pertaining to general superintendence and direction of the Reserve Bank's affairs, in which the Directors, with their vast experience in diverse fields, actively contributed to important decisions pertaining to currency management, information technology, human resource development, banking regulation and supervision, monetary and credit policy, the Reserve Bank's accounting policy, internal debt management policy, among others. The deliberations of the Board also focused on the critical assessment of the percolation of benefits of growth to the poorer sections of society and on agriculture and rural areas in general.

IX.95 As a follow-up of the decision taken in the Central Board meeting held on October 12, 2006 at Raipur, a sub-office was opened at Raipur on January 2, 2007. It was also decided to have a Working Group with the Regional Director, Bhopal as chairman to look into the improvement of banking services in Chhattisgarh. Following the presentation of Union Budget, 2007-08 in the Parliament, the Union Finance Minister met the Directors during the Central Board meeting held at New Delhi on March 9, 2007 and discussed the budget proposals. The Central Board at the meeting held on May 10, 2007 decided to open a Sub-office at Shimla.

IX.96 Four meetings of the Inspection and Audit Sub-Committee (IASC), three meetings of the Building Sub-Committee and one meeting of the Staff Sub-Committee were held during the year. The Building Sub-Committee advised the Bank on various matters including construction of staff quarters, renovation of office and residential buildings and also reviewed the utilisation of capital budget for the year 2006-07. The Inspection and Audit Sub-Committee examined the critical areas emanating from the Management and System

Inspections of Central Office departments and Regional Offices of the Reserve Bank. The Staff Sub-Committee reviewed manpower planning in the Reserve Bank.

Directors/Members of the Central Board/Local Boards

IX.97 Shri Sanjay Labroo was nominated as Director of the Central Board of the Reserve Bank with effect from January 2, 2007 under Section 8(1) (c) of the Reserve Bank of India Act, 1934 in place of Shri D.S. Brar who ceased to be a Director of the Central Board with effect from January 2, 2007. Shri Labroo was nominated on the Inspection and Audit Sub-Committee (IASC) of the Central Board.

IX.98 Dr. D. Subbarao, Secretary, Department of Economic Affairs, Ministry of Finance, Government of India was nominated as Director on the Central Board under Section 8(1)(d) of the Reserve Bank of India Act, 1934, with effect from May 10, 2007 *vice* Shri Ashok K. Jha. Dr. Subbarao has been designated as Finance Secretary and Secretary, Department of Economic Affairs with effect from July 2, 2007.

IX.99 Prof. Mahendra Singh Sodha, resigned from the Local Board (Western Area) with effect from May 10, 2007 for personal reasons.

Parliamentary Committee

IX.100 The Parliamentary Standing Committee on Finance visited Mumbai on July 4, 2006. The Committee, headed by Major General (Retd.) B.C.Khanduri, Member of Parliament, held discussions with the top management.

Central Bank Governance

IX.101 Issues relating to governance have assumed increased significance in the past few years. The Reserve Bank has also been striving to align its governance practices with the best international practices over the years. As a step in this direction, an internal Working Group was constituted by the Reserve Bank to examine the structure and practices of governance *vis-à-vis* best international practices. While suggesting options to enhance governance, the Group noted that the Reserve Bank already follows best international practices in a number of areas. The findings of the Group with appropriate editing/elaboration are given in Box IX.3.

Box IX.3**Central Bank Governance: Global Best Practices and the Reserve Bank****International Best Practices**

1. There should be a conflict resolution mechanism in connection with foreign exchange reserves and exchange rate issues.
2. Direct credit to the Government should be prohibited or carefully limited to what is consistent with the monetary policy objectives and targets.
3. Central bank should be required to report at regular intervals on its past performance and future plans for monetary policy in accordance with the objectives.
4. There should be a management board comprising Governor, Deputy Governors and Directors of Departments to attend to the operational issues.
5. The central bank should not be subjected to directions from any other body and should act only according to central bank laws and pertinent regulations.
6. The members of the Central Board should not be members/officials of a political party.
7. Central banks have one or more boards and the management responsibilities are solely delegated to the Governor in most of the central banks.
8. The implementation board should consist primarily of management representatives and a few qualified external members to implement the target(s). Implementation by Governor dilutes the responsibilities and increases accountability.
9. There should be advisory boards wherever there are policy boards.
10. There should be a Supervisory Board to oversee achievement of objectives/tasks/functions, financial condition of the Bank, effective internal controls, efficient use of its resources and to approve the annual report, budget and financial statements before such information is published.

Practices in the Reserve Bank

The Reserve Bank has arrangements for co-ordinating with the Government of India in matters relating to deployment of foreign exchange reserves and the Governor has half yearly meetings with the Finance Secretary.

Under the Fiscal Responsibility and Budget Management Act, 2003, the Reserve Bank has been prohibited, effective April 1, 2006, from participating in primary auctions of Government paper.

The Reserve Bank reviews monetary policy on a quarterly basis. The quarterly reviews by the Reserve Bank encompass review of past performance and the stance of monetary policy for the next quarter. The Reserve Bank at its discretion could also announce monetary policy measures any time in between the quarterly reviews.

In the Reserve Bank, important operational issues are discussed in the Deputy Governors' Committee meetings to which concerned Executive Directors and the Departmental heads are invited.

The Reserve Bank is not subject to directions from any other body in carrying out its functions. Only Central Government may give directions to the Reserve Bank after consultations with the Governor, if considered necessary in the public interest.

The Reserve Bank of India Act, 1934 stipulates that a Member of Parliament or the Legislature cannot become a Director of the Central Board or a Member of the Local Board.

The Reserve Bank has one Board. Management responsibilities are entirely vested with the Governor.

The Reserve Bank's Central Board monitors the policy implementation. The model adopted by the Reserve Bank regarding implementation is working well. The Committee of the Central Board with a balanced representation of management representatives and directors meets every week to attend to the current business of the Bank to assist the Central Board in the monitoring of implementation of various policy decisions.

The Reserve Bank has set up a number of Technical Advisory Committees, besides drawing technical help from separate groups set up for the specific purposes.

In the Reserve Bank, the Central Board carries out this function through its various committees and sub-committees. A Board for Financial Supervision, which is a Committee of the Central Board, oversees the regulation and supervision of the banks and financial institutions. Similarly, a Board for Payment and Settlement Systems, which is also a Committee of the Central Board, oversees the regulation and supervision of the payment and settlement systems. There are other sub-committees looking into various other tasks and functions of the Reserve Bank.

Box IX.3

Central Bank Governance: Global Best Practices and the Reserve Bank (Concl'd.)

International Best Practices

11. There should be an Audit Committee having specialised expertise to address issues of internal control and financial disclosures.
12. Policy boards are generally smaller with about 7-9 members while the supervisory and management boards are usually larger.
13. Decisions should be taken by a simple majority with a quorum rule requiring the presence of non-executive directors. The presence of a government representative (without voting right) to ensure co-ordination as well as consensual and collective responsibility is desirable. Individual responsibility by all board members is an essential element of an autonomous and accountable central bank.
14. The frequency of the Board Meetings should be linked to its functions and the Supervisory/ Policy Boards should meet at least once in a quarter and when needed.
15. The composition of the board should ensure an informed and balanced view without conflict of interests.
16. Internal control systems in central banks have been toned up with audit committees, strengthening the interface between the board, the internal and external auditors.
17. The conceptual underpinnings of financial stability are often not clear while the legal basis for the exercise of the function varies across central banks.
18. Effective communication is the bedrock of transparency in central bank functioning.

Practices in the Reserve Bank

An Audit Committee consisting of management representatives and Central Board Directors carries out these functions.

The Reserve Bank's Board has provision for 20 members. It is considered appropriate keeping in view the diverse functions it carries out.

Although the Act provides for voting rights to Chairman and non-executive directors, this is rarely resorted to in practice. Decisions are usually taken by consensus. The nominee of the Government participates in the discussion, but he does not have any voting rights.

The Central Board of the Reserve Bank meets seven times a year (and at least once in a quarter) and the Committee of the Central Board meets every week.

Although there are no qualifications for being considered as members of the Local and Central Boards, the Boards generally represent a wide spectrum of experts representing different streams of specialisation, viz., economists, industrialists, scientists, legal experts, accountants, technology experts, retired bureaucrats etc. Governor is also the Chairman of the Central Board and the three Committees of the Central Board, viz., the Committee of the Central Board (CCB), the Board for Financial Supervision and Board for Payment and Settlement Systems.

The Reserve Bank has an elaborate system of audit functions supervised by the Audit Committees/sub Committees of the Central Board, consisting of Directors and management representatives.

The setting up of the Board for Financial Supervision in 1994 as a Committee of the Central Board has strengthened the oversight of the different segments of the financial sector. In India, there are separate regulators for banks, stock market, insurance, pension and provident funds. The coordination of policy issues involving more than one regulator is facilitated by a High Level Committee headed by Governor, Reserve Bank.

The Reserve Bank has adopted a multi-mode channel for communication by way of: (i) website, (ii) publications, (iii) monetary policy statements, (iv) speeches of Governor/ Deputy Governors, (v) daily/weekly statistical dissemination, and (vi) interaction with media. The recent enactment and implementation of the Right to Information Act has given further impetus to transparency in the functioning of the Reserve Bank.

Foreign Dignitaries

IX.102 A number of foreign delegations visited the Reserve Bank during the year and interacted with the top management. The dignitaries included Governors of central banks of Mexico, Sweden, Russia, France and

Germany; Parliamentary delegations from Germany and the US; and ministerial delegations from Japan, Singapore, Norway and Canada. Nobel Peace Prize winner, Prof. Muhammad Yunus and Nobel laureate, Prof. Joseph Stiglitz also visited the Reserve Bank and addressed Directors, staff and other invitees (Annex III).