



ORGANISATIONAL MATTERS

Currency Management

9.1 The Reserve Bank of India continued to maintain 15 full-fledged issue offices and two sub-offices as at the end of March 1998. The number of currency chests functioning in the country at the end of March 1998 increased to 4,157 from 4,127 at end March 1997 (Box IX.1).

9.2 Notes in circulation increased by 10.1 per cent to Rs.1,48,520 crore as at the end of March 1998 from Rs.1,34,889 crore in March 1997. The Reserve Bank introduced notes in the Rs.500 denomination in the Mahatma Gandhi series in October 1997. With this, the introduction of the new family of bank notes in the Mahatma Gandhi series is complete except for notes in Rs.20 denomination. In order to fill the demand-supply gap, with the approval of the Central Government, the Reserve Bank is in the process of importing

2,000 million pieces of Rs.100 and 1,600 million pieces of Rs.500 notes. The entire supply of imported notes is expected to be completed by the end of September 1998.

9.3 As detailed in last year's Report, a Forged Note Vigilance Cell was set up in the Department of Currency Management (DCM) in July 1997. Besides building up a database on forgeries, the Cell closely monitors major forgeries. During 1997-98 there has been a decrease in the number of counterfeit notes detected to 7,698 from 10,645 in the previous year.

Computerisation and Information Technology Systems

9.4 During 1997-98, the Department of Information Technology (DIT) focussed on the overall development of the payment systems in India to meet the growing needs of the financial sector. Efficiency of the payment and settlement system is vital for effective conduct of central bank's policies. In this context, a dedicated team of professionals were formed into a Payment Systems Group (PSG) in February 1998 to work under the framework of DIT to bring about improvements in clearing, payments and settlements system (Box IX.2).

Box IX.1 Currency Chests

Currency chests store stocks of new and reissuable notes along with rupee coins. The mechanism of currency chests is of assistance to the Central and state governments as well as the banks in as much as it enables the Treasuries and bank branches to work with relatively small balances and save themselves from the loss involved in locking up of funds in their tills.

Name of Agency	No. of Currency Chests	
	End-March 1998	End-March 1997
1	2	3
Treasuries	424	423
Reserve Bank (including 2 sub-offices)	17	17
SBI/its Associates	2,887	2,877
Nationalised Banks	809	791
Private Sector Banks	20 *	19 *
Total	4,157	4,127

* Including 5 chests with branches of Jammu and Kashmir Bank Ltd.

Box IX.2

Payment Systems Group (PSG)

PSG has been conceived of as a multi-disciplinary one with professionals drawn from within the Reserve Bank from varied areas such as information technology, law, banking operations and supervision, economic analysis and foreign exchange operations. The PSG would help upgrade, extend, design and implement the mechanised cheque processing in clearing houses, electronic clearing systems (credit and debit), discrete/deferred net settlement, and real time gross settlement (RTGS) in an on-line, real time environment. PSG will be guided by a high-powered Payment Systems Advisory Committee. The Committee is headed by the Executive Director in charge of the Department of Information Technology. The main function of the Committee is to periodically review the development of the payment systems and report the progress to the top management of the Bank. So far three meetings of the Committee have taken place.

9.5 The year 2000 AD is expected to bring a multitude of problems to all older computerised systems, where the system date is of significance or whose applications use calendar date in their calculations (Box IX.3). Due to large scale computerisation in the financial sector in recent years, the Year 2000 problem, popularly known as Y2K problem, assumes significance as it can seriously impact on its operations. The Reserve Bank has adopted a two-pronged approach: first it is taking steps to ensure that the Reserve Bank's own computers and information technology systems are millennium compliant and secondly, it has initiated measures to monitor and guide the banks and the participants of the financial system to achieve Y2K compliance in respect of their respective computer systems.

9.6 The Bank has set up a Working Group (Chairman: Shri S.P. Talwar) with representatives from banks, the Indian Banks' Association (IBA), National Institute of Bank Management (NIBM) and heads of the regulatory/supervisory departments of the Bank to monitor the progress both in-house and in the banking and financial sector, in achieving Y2K compliance for hardware, operating systems and application systems software. The Group guides the users through all the steps that are required to be followed in achieving compliance and provides information on the solutions that are available in the market. A questionnaire was circulated to all offices of the Reserve Bank and to all banks and financial institutions to report the current status and levels of preparedness. The Working Group monitors the compliance

Box IX.3
The Problem of Y2K

Most computer applications support only two digit years in the dd-mm-yy format representing date, month and year respectively. This does not pose a problem so long as the value of the last two digits of the current year is greater than the value of the last two digits of the previous year. However, with the advent of the year 2000 AD, most of these old programmes would either fail to recognise 2000 as a valid year as the last two digits would be 00, or recognise the year as 1900. The Y2K problem will affect hardware, software and operating systems. Hardware components would have to be replaced or upgraded by compliant versions, while software, operating systems and applications would need to be closely examined, upgraded and tested for compliance.

through regular bi-monthly reviews and reports received from various users. In this regard, the Department of Banking Supervision (DBS) has laid down the broad approach which includes compilation of the inventory of computers, scoping and impact analysis, and prescription for repair, replacement and retirement. In addition, a close watch is kept by prescribing regular returns from the institutions, monitoring the compliance during inspections, and also asking the Board of Directors of banks to periodically review the progress.

9.7 A Core Group set up within the Reserve Bank is co-ordinating with the IBA and chambers of commerce and other associations/bodies for addressing the Y2K problem in case of banks, financial institutions and non-banking financial companies. The Reserve Bank has been co-ordinating with the Government of India, and in particular, the ministries of Finance, Power and Telecom and service providers to address the problem of Y2K in embedded systems in use in these sectors. To address the Y2K compliance of hardware and software within the Reserve Bank, complete data on computers in use within the Reserve Bank and those interfacing with other banks and financial institutions are being compiled by DIT and efforts are being made to see that all the computers are Y2K compliant by the end of December 1998.

Electronic Clearing Service

9.8 The Electronic Clearing Service (ECS) facilitating the settlement of bulk small value transactions without exchange of paper-based instruments was introduced to ensure better customer service, efficient housekeeping by banks, corporate bodies and financial institutions. The ECS which at present covers Mumbai, Calcutta, Chennai, New Delhi, Bangalore, Hyderabad, Ahmedabad and Pune is being extended to Guwahati, Patna, Kanpur, Nagpur, Jaipur and Thiruvananthapuram. There are at present 48 corporate bodies which are availing of this facility. Six public sector banks which have private sector participation have also made use of the facility during the year. One of the major public sector institutions which utilised and is making effective use of the ECS is the Unit Trust of India (UTI) which distributes dividends to holders of US 1964 scheme who volunteered to be a part of the ECS scheme. The individual

credit limit under the scheme was increased from Rs.25,000 to Rs.50,000, in July 1997 which was increased further to Rs.1,00,000, effective July 1, 1998.

Extension of MICR Cheque Clearing

9.9 The successful functioning of MICR cheque processing at the four metropolitan centres has prompted the Reserve Bank to extend MICR processing to twenty-six other centres, *albeit* in a phased manner, with the help of public sector banks. The MICR centre at Hyderabad set up by Bank of India, the centre at Bangalore set up by Canara Bank and the centres at Jaipur and Nagpur set up by Punjab National Bank, are operational.

Electronic Funds Transfer (EFT)

9.10 The EFT scheme, launched by the Reserve Bank in February 1996 was extended to cover the four metropolitan centres by April 1998.

Satellite-based Wide Area Network (WAN)

9.11 The setting up of the VSAT-based WAN was discussed in the previous year's Report. The Agreement for setting up the HUB and Network Management System for the WAN was signed in February 1998. The allocation of transponder space in C-band/extended C-band is now awaited from the Department of Telecommunications. In order that the VSAT Communication Network functions efficiently and in a robust manner, the Bank had set up a Sub-group on Networking Products (Chairman: Shri D.B. Phatak) which has submitted its report to the Bank. The Reserve Bank is in the process of implementing the recommendations for a structured cabling system. The report of the Sub-group on System Software submitted to the Bank is under consideration.

Computerisation of Central Office Departments

9.12 DIT was actively involved in preparing the System Requirement Specifications (SRS) for computerisation of various Central Office departments of the Reserve Bank. SRS was prepared by the Department for full computerisation of DBOD, UBD, PRD and the Human Resource Information System (HRIS) of the Reserve Bank.

Human Resources Development

9.13 The Human Resources Development Department (HRDD) in association with Department of Information Technology (DIT) and Department of Administration and Personnel Management (DAPM) is developing an in-house computerised Human Resources Information System (HRIS). This system will include modules relating to bio-data, promotions, inter-office transfers, intra-office department transfers, training, leave processing, increments and performance appraisal of officers and staff. The System Requirement Study for the HRIS has been completed and the draft report has been submitted to the user departments for finalisation.

9.14 A fresh Satisfaction Survey on the lines of the last survey conducted in 1996 was launched in March 1998. The analysis of the responses to this survey will be used to undertake organisational development intervention programmes.

9.15 A Committee headed by Shri B.S. Sharma, Executive Director, was set up in February 1998 to examine various rules and procedures governing administrative, establishment and housekeeping matters with a view to rationalising and simplifying them.

Training

Bankers Training College, Mumbai

9.16 The College conducted 91 programmes with 2,102 participants during 1997-98 as compared with 91 programmes with 1,957 participants in 1996-97.

Reserve Bank Staff College, Chennai

9.17 The number of programmes conducted by the Reserve Bank Staff College, Chennai during 1997-98 was 132 with participation of 3,030 officers as against 119 programmes with 2,542 officers participating in them in 1996-97.

College of Agricultural Banking, Pune

9.18 The College conducted 109 programmes for 1,982 officers during 1997-98 as against 124 programmes for 2,231 officers in 1996-97.

Zonal Training Centres

9.19 Zonal Training Centres at four metropolitan centres cater exclusively to the

training needs of employees in Class III and Class IV of the Bank. During 1997-98, Zonal Training Centres had conducted 119 programmes including programmes on Computer Appreciation for Class III employees and 16 programmes for Class IV staff. The number of employees trained during the year was 1,824 in Class III and 319 in Class IV as against 114 programmes involving 2,113 employees in Class III and 9 programmes involving 164 employees in Class IV in 1996-97.

Deputation of Officers for Training in India and abroad

9.20 During 1997-98 (July-June), 119 officers of the Bank participated in training programmes, seminars and conferences organised by various management/ banking institutes in India and 91 officers were nominated by the Bank to attend training, seminars, conferences, workshops etc., conducted by banking and financial institutions in 22 countries viz., Australia, Austria, Bahrain, Bangladesh, Belgium, Canada, China, France, Germany, Iran, Japan, Malaysia, Mauritius, Monaco, Philippines, Singapore, Sri Lanka, Switzerland, Thailand, United Arab Emirates, the United Kingdom and the United States of America. Under the Golden Jubilee Scheme for award of scholarships to the Bank's officers for higher studies abroad, four officers were selected in 1997-98. In all 47 officers have so far availed of this scheme. During 1997-98, three officers were selected and granted study leave for pursuing higher studies in India/abroad under the scheme introduced in 1994. One officer was selected for pursuing Ph.D. studies under Bank's Scheme of Sponsorship. One senior officer was granted a sabbatical for undertaking research on organisational factors facilitating the flow of credit to farm and non-farm sectors.

Training in Computer Technology

9.21 Under the Bank's Scheme for providing incentives to staff members to acquire qualification in the field of computers, 5 officers and 13 clerical staff attended computer training courses at various institutions in the country, raising the total number of such trainees so far to 252 and 970, respectively. In addition, the scheme of Base Level Computer training for officers and Class III

employees introduced by the Bank in November 1995 to meet the increasing training needs in this area has been liberalised and offices and Central Office departments have been delegated powers to depute officers and Class III employees to reputed computer training institutions to gain working knowledge of computers. Up to end-June 1998, 2,718 Class III employees and 1,031 officers have been trained.

9.22 Two batches of 15 officers each received training on data communication and networking arranged at the Indian Institute of Science, Bangalore in 1997-98. The objective of the programmes was to build up a core group of officers, who will be able to manage and administer the data communication systems as well as to assist and support the introduction and usage of future communication technologies in the Bank.

9.23 A scheme of sponsorship for the officers of the Bank posted at Mumbai for the course on Post Graduate Programme in Software Technology at National Centre for Software Technology, Mumbai is in operation since September 1993. Two officers of the Department of Information Technology were granted sponsorship in June 1998. So far, 11 officers have been sponsored under the scheme.

Training facilities to officials from other countries

9.24 During 1997-98, 23 officials from four countries viz., five from Bhutan, eight from Nepal, four from Sri Lanka and six from Uganda were provided training facilities at the Bank's training establishments/study attachment facilities.

Promotion of Hindi

9.25 During 1997-98, the Bank continued to promote the use of Hindi as per the requirements of Official Language Policy. An awareness programme for senior officers was conducted to enhance awareness of the Official Languages Act and Rules, and various other aspects of the Official Language Policy. Among the bilingual publications brought out by the Bank during the year were the Monthly Bulletin, the Bank's Annual Report, the Report on Trend and Progress of Banking in India, the Report on Capital Account Convertibility,

the Annual Report of Services Board, the RBI News letter and the Credit Information Review. In order to cope with the pace of computerisation, a Committee on Bilingualisation of Computers, headed by Shri R.P. Pathak has been constituted; training programmes were conducted for imparting training to staff in operating bilingual software packages. With a view to encouraging original writing in Hindi on banking, finance and allied subjects, the Bank continued the publication of quarterly Hindi magazine 'Chintan - Anuchintan'. Under the scheme of writing books originally in Hindi on banking subjects four proposals were approved. On the occasion of the fiftieth year of India's independence, the Bank introduced a scheme of essay competition for the staff of public sector banks and the Reserve Bank. Besides, a symposium on *Rajbhasha* was organised in which senior and top management participated.

9.26 The Central Office of the Bank has been notified in the Gazette of the Government of India under Rule 10(4) of the Official Languages Rules, 1976 as more than 94 per cent of staff of the Bank having working knowledge of Hindi; consequent upon the notification, an order has been issued to all Central Office Departments under Rule 8(4) of the above Rules by which staff proficient in Hindi are required to do their noting, drafting and such other official work, as may be specified, only in Hindi.

Industrial Relations

9.27 The industrial relations in the Bank remained peaceful during the year. The relations with all the four recognised unions/associations of workmen and officers continued to be cordial.

Recruitment

9.28 During 1997, the Bank recruited 426 employees, of which 107 (25 per cent of the total recruited) were from Scheduled Castes and Scheduled Tribes categories. Details of recruitment are given in the table below:

Cadre	Total Recruited	Of which:	
		SC	ST
1	2	3	4
1. Class I	62	7	3
2. Class III	19	4	1
3. Class IV	345	55	37
Of which:			
a) Sweepers	59	10	4
b) Others	286	45	33
Total (1+2+3)	426	66	41

9.29 The staff strength at the end of December 1997 was 33,084 compared with 32,947 a year ago. Of the total staff, 8,101 belonged to Scheduled Castes/Scheduled Tribes as per the table given below.

9.30 The Bank's Liaison Officer for Scheduled Caste/Scheduled Tribe employees conducted an inspection of reservation rosters maintained at the Bank's offices at Bhubaneswar, Guwahati, Hyderabad, Nagpur and Patna as well as at the Central Office at Mumbai. During the year, two meetings were held between the Bank Management and the representatives of the All India Reserve Bank Scheduled Castes/Scheduled Tribes and Buddhist Employees Federation to discuss issues relating to the implementation of reservation policy in the Bank.

9.31 In accordance with the Government of

Cadre	Category-wise Staff Strength						Per cent of col.2	
	All		SC		ST		SC	ST
	1997	1996	1997	1996	1997	1996	1997	1997
1	2	3	4	5	6	7	8	9
Class I	7,024	6,895	699	660	170	158	9.9	2.4
Class III	16,007	16,286	2,279	2,295	1,130	1,129	14.2	7.1
Class IV	10,053	9,766	3,009	3,062	814	789	29.9	8.1
Total	33,084	32,947	5,987	6,017	2,114	2,076	18.1	6.4

India's policy on reservation for Other Backward Classes (OBCs), the Bank has introduced 27 per cent reservation in favour of OBCs in its recruitments. The total representation of OBCs in the Bank (as at end-December 1997) is 23 (0.33 per cent) in Class I, 12 (0.07 per cent) in Class III and 254 (2.53 per cent) in Class IV. The total strength of ex-servicemen in the Bank at end-December 1997 stood at 673 in Class III and 947 in Class IV. The total number of handicapped employees in Class III & IV cadres in the Bank stood at 327 and 144, respectively.

Housing Loans

9.32 The amount of loan that any staff member can avail of, irrespective of category or position held, was raised upwards from Rs.5.00 lakh to Rs.7.5 lakh with effect from January 1, 1998. Consequent upon the increase in the limit for housing loan, the aggregate limit for housing loan and withdrawal/advance from the provident fund together was raised to Rs.18.00 lakh for all classes of employees. The rate of interest on housing loan for all categories of staff is 5.0 per cent per annum for the loan amount up to Rs.1,10,000, 11.0 per cent per annum for the loan amount exceeding Rs.1,10,000 and up to Rs.5,00,000 and 12.0 per cent per annum for the loan amount exceeding Rs.5,00,000, with effect from January 1, 1998.

9.33 During 1997-98 (July-December), the Bank sanctioned a sum of Rs.25.08 crore towards housing loan for its employees as also to the housing societies as against Rs 12.08 crore during the previous year.

Surveys conducted by the Reserve Bank

9.34 The results of the survey of Ownership of Capital of Non-Government Non-Financial Public Limited Companies, with end-March 1995 as the reference period, were published in the February 1998 issue of the Reserve Bank Bulletin.

9.35 A survey of Small Borrowal Accounts was launched in November 1997 with end-March 1997 as the reference date with a view to obtaining the pattern of the structure and profile of small borrowal accounts, each with a credit limit of Rs.25,000 or less. A sample of 763 bank branches was selected for the survey

and the data processing work is in progress.

9.36 The Reserve Bank launched a Census of India's Foreign Liabilities and Assets in December 1997 with end-March 1997 as the reference date. The census covers the official sector comprising the Government of India and the Reserve Bank and non-official sector comprising the private corporate enterprises including public sector undertakings, banks and insurance companies. The census would adopt the internationally accepted guidelines regarding valuation and presentation of the details on international investment position.

Development Research Group

9.37 The Development Research Group, set up in the Reserve Bank in 1991, has been promoting collaborative research among the external experts and internal talents, with a view to generating constructive discussion among professional economists and policy makers on subjects of current interest. The Group has so far published 16 research studies. Further, the Group is also publishing quarterly research journal of the Bank, the Reserve Bank of India Occasional Papers, containing research contributions of the staff members of the Bank. The Group has brought out a special issue of the journal to commemorate the fiftieth year of India's independence covering the sectoral developments of the Indian economy.

Committees/Working Groups

9.38 As mentioned in the previous year's Annual Report, the Technical Advisory Committee on Government Securities Market (Chairman: Dr. Y.V. Reddy) constituted in January 1997 to advise the Reserve Bank on an on-going basis on policy issues aimed at the development of a healthy and vibrant government securities market. The Committee met twice during 1997-98.

9.39 As mentioned in the previous year's Annual Report, a Standing Committee on Money Market (Chairman: Dr. Y.V. Reddy) was set up in April 1997 to advise the Reserve Bank on further developing the money market and making it more efficient. So far, up to end-June 1998, five meetings were held.

9.40 A Working Group (Chairman: Shri S.H. Khan) constituted by the Reserve Bank in December 1997, to examine the harmonisation

of the role and operations of development financial institutions (DFIs) and banks, submitted its report in April 1998 (Box IX.4).

9.41 A Committee (Chairman: Shri R.V. Gupta) constituted by the Reserve Bank in December 1997 to review and examine the issues on agricultural credit and to suggest measures that would give an impetus to the flow of credit to this sector submitted its report in April 1998. The major recommendations of the Committee accepted by the Reserve Bank are highlighted below (Box IX.5). All scheduled commercial banks have been advised to implement these recommendations of the Committee.

9.42 A Committee (Chairman: Shri S.L. Kapur) set up by the Reserve Bank in December 1997 to suggest measures for improving the credit delivery system for small-scale industries (SSIs) submitted its report in June 1998 (Box IX.6).

9.43 A Working Group on 'Money Supply : Analytics and Methodology of Compilation'

Box IX.4

Major Recommendations of the Khan Committee

- a gradual move towards universal banking and evolving an enabling regulatory framework for this purpose;
- exploring the possibility of gainful mergers as between banks, banks and financial institutions encompassing both strong and weak (but viable) entities, or two strong ones;
- developing a function-specific regulatory framework and a 'risk-based supervisory framework';
- establishment of a 'super-regulator' to supervise and co-ordinate the activities of multiple regulators;
- speedy implementation of legal reforms to hasten debt recovery;
- consolidated supervision of banks and financial institutions;
- reducing CRR to the international standards; and
- phasing out SLR.

The Working Group, *inter alia*, made following interim recommendations towards achieving co-ordination and harmonisation of the lending policy of banks and financial institutions before they move towards universal banking :

- the removal of ceiling on mobilisation of resources by DFIs;
- stipulating a suitable level of SLR on incremental fixed outstanding deposits of DFIs; and
- granting ADs licence to DFIs.

Box IX.5

Major Recommendations of the High-level Committee on Agricultural Credit through Commercial Banks

- simplification of procedures regarding loan application forms, agreements/documents etc.;
- rationalisation of internal returns of banks;
- introduction of a comprehensive cash credit limits to agricultural farmers;
- introduction of new loan products with savings component;
- cash disbursement of loans, dispensation of 'no due' certificates, discretion to banks on matters relating to margin/security requirements for agricultural loans above Rs.10,000;
- delegating powers to branch managers; and
- addressing a host of HRD related issues with regard to bank officials posted at rural branches.

(Chairman: Dr. Y.V. Reddy) set up in December 1997 to re-examine the analytical aspects of monetary survey in view of the far reaching changes in the macro-economic and financial environment submitted its Report in June 1998 (Box IX.7).

Box IX.6

Major Recommendations of the High-level Committee on Credit to SSIs

- special treatment to smaller among small industries;
- removal of procedural difficulties to facilitate SSI advances;
- sorting out issues relating to the mortgage of land, including removal of stamp duty and permitting equitable mortgages;
- allowing access to low cost funds to SIDBI for refinancing SSI loans;
- non-obtention of collaterals for loans up to Rs.2 lakh;
- setting up of a collateral reserve fund to provide support to the first generation of entrepreneurs who find it difficult to furnish collateral securities to third party guarantees;
- setting up of a Small Industries Infrastructure Development Fund for developing industrial areas in/around metropolitan and urban areas;
- change in the definition of sick SSI units;
- giving statutory powers to state level inter-institutional committee (SLIC); and
- setting up of a separate guarantee organisation and opening of 1,000 additional specialised branches; and enhancing of SIDBI's role and status to match that of NABARD.

Box IX.7**Recommendations of the Working Group on Money Supply**

The recommendations of the Working Group are in consonance with the international best practice of money supply compilation. Major recommendations of the Group include:

- The Report makes a number of suggestions to strengthen the statistical system in order to enlarge the coverage of financial statistics beyond the traditional confines of the banking sector. Accordingly, the Report proposes compilation of comprehensive analytical surveys of the Reserve Bank of India, commercial and co-operative banks and the organised financial sector at regular intervals;
- Proposes compilation of four monetary aggregates in conformity with the norm of progressivity in terms of liquidity: M_0 (monetary base), M_1 (narrow money), M_2 and M_3 (broad money);
- Introduction of three liquidity aggregates in order of progressivity - L_1 , L_2 and L_3 - incorporating deposits with post office savings banks, term deposits, term borrowings and certificates of deposits of term lending and refinancing institutions (FIs) and public deposits of NBFCs;
- Definition of bank credit to the commercial sector to be broadened by including items not reflected in the conventional bank credit, viz., banks' investments in securities, such as commercial paper, shares, debentures and bonds issued by the commercial sector;
- Net foreign currency assets of the banking system redefined to comprise the banks' holdings of foreign currency assets net of (i) their holdings of FCNR(B) deposits and (ii) foreign currency borrowings;
- The reporting delays as regards co-operative banks to be reduced to one month for the larger co-operative banks and to three months for the other co-operative banks; and data of a sample of major co-operative banks for only the items of liabilities and assets having a direct bearing on the monetary survey may be reported on a monthly frequency followed by a population survey;
- Preparation of a comprehensive quarterly financial sector survey to provide estimates of credit to the (i) government and (ii) non-financial commercial sector; the financial sector would comprise of DFIs (term lending institutions and refinancing institutions), investment institutions (insurance corporations), mutual funds and NBFCs;
- Publication of deseasonalised monetary aggregates in the Weekly Statistical Supplement (WSS) of the Reserve Bank on a regular month-end basis; and
- The data gathering work relating to monetary/financial aggregates to be completely computerised in the Department of Economic Analysis and Policy (DEAP) of the Reserve Bank on user friendly and versatile information technology platforms.

9.44 An Internal Working Group (Convenor : Shri N.V. Deshpande) was constituted within the Reserve Bank to study legal and regulatory aspects of financial markets. It submitted its report to Deputy Governor, Dr. Y.V. Reddy in June 1998.

Working Groups relating to the External Sector

9.45 The Committee on Hedging through International Commodity Exchanges (Chairman: Shri R.V. Gupta) submitted its report to the Governor in November 1997 (Box IX.8).

Box IX.8**Recommendations of the Committee on Hedging through International Commodity Exchanges**

- Indian entities may be allowed access to off-shore futures/options products by the Central Government;
 - All Indian entities having genuine underlying commodity price risk exposures should be permitted recourse to hedge instruments available in off-shore markets, subject to operational safeguards of prudential nature;
 - Regulatory focus should be on helping Indian corporates with authentic price exposures to achieve risk-reduction;
 - Hedge-freedom may be given to Indian end-users in two distinct phases; Phase-I for one year (up to end 1998) and Phase II commencing from January 1999. During Phase I, user firms may be permitted access to exchange traded risk management products and select commodity OTC derivatives, if warranted. Exchange-traded options and select commodity OTC options can be permitted in Phase-II; and
- The scope of regulatory input during Phase-I will consist of, *inter alia*, (i) a simple diligence exercise at pre-eligibility stage to see that the concerned corporate has authentic underlying exposure and formulation of a clear-cut board-approved risk management policy; and (ii) periodic scrutiny of actual hedge operations based principally on review reports of actual hedge operations put up to the Board. During Phase-II, stage (i) can be dispensed with and stage (ii) consisting of only periodic export scrutiny of actual hedge operations can continue.

9.46 The Technical Group on External Debt (Chairman: Shri M.R. Nair) appointed to examine the need to refine the coverage, compilation and presentation of India's external debt statistics submitted its report to the Deputy Governor, Dr. Y.V. Reddy (Box IX.9).

9.47 With the introduction of the single currency 'Euro' for 11 member countries of the European Union, the exchange rates of the participating countries will be irrevocably pegged to each other, effective January 1, 1999. The initial change-over to Euro will take place in forex, money, bond and equity markets and the formal currency substitution will take place by January 1, 2002, when cash transactions commence. The monetary and exchange rate policy making for the participating countries will be vested with the European Central Bank (ECB). In order to study the implications of introduction of 'Euro' and to ensure preparedness of the Indian financial system for the transition to Euro, the Reserve Bank has constituted a Working Group (Chairman: Shri V. Subrahmanyam).

9.48 With a view to expediting the compilation of quarterly BOP statistics, (with the lag not

to exceed one quarter) in the context of meeting the provisions of the Special Data Dissemination Standards (SDDS) by end-December 1998, (so that the October-December 1998 BOP data can be brought out by April 1999, in conformity with the SDDS requirements), the Reserve Bank had constituted a sub-group (Chairman: Shri S.P. Paniyadi) on the reporting of foreign exchange transactions by Authorised Dealers (ADs) under the aegis of the Standing Committee on BOP statistics which submitted its report in February 1997. The sub group, *inter alia*, recommended that purpose-wise details of foreign exchange transactions may be collected in floppy diskettes from 421 critical branches of ADs covering about 85 per cent of total foreign exchange business, with a view to expediting the compilation of balance of payments statistics. In pursuance of implementation of recommendations accepted by the Reserve Bank, effective October 1997, ADs were required to report details of foreign exchange transactions to the Reserve Bank in computer floppies. To facilitate this, the Reserve Bank organised extensive training programme for the banks' personnel and also provided the necessary software for the purpose. In terms of medium term arrangements recommended by the sub-group for data transmission, the Reserve Bank is making efforts to establish the on-line connectivity between the ADs and the Reserve Bank through its proposed VSAT Network.

Senior Management Meeting

9.49 A Management Committee, comprising Governor, Deputy Governors and Executive Directors, with CGM and Secretary as the Member-Secretary, which had been in place to discuss policy matters which cut across departmental lines, and any matter which any member may like to bring before the Committee, was renamed as Senior Management Meeting with effect from February 26, 1998. A few Chief General Managers of Regional Offices also attend meetings by rotation. The meetings are held once in a month to discuss issues relating to monetary and credit policy, customer service, including communication with the public, press, staff and banks, Regional Offices' feedback through monthly D.O letters and other important issues.

Box IX.9: Major Recommendations of the Technical Group on External Debt

- External debt statistics may include NRNR deposits, lease transactions, borrowings by commercial banks including nostro debits, vostro credits, balances of exchange houses held in India, overseas lines of credit, and trade related credits of maturity less than six months;
- FIIs' investments in debt instruments may be shown separately in the debt statistics under a new head 'foreign investment in debt securities' further disaggregated into government and non-government;
- Compilation and presentation of external debt initially both on original and residual maturity basis, and finally only on residual maturity basis;
- External debt statistics may be published on a quarterly basis within a quarter of the reference date;
- The Reserve Bank may be empowered with legal authority to collect information from entities with external liabilities and assets;
- A Monitoring Group on External Debt may be set up, with compilation and monitoring of external debt statistics centralised in the Reserve Bank; and
- A broader measure of the debt-service ratio may be developed to include the principal repayments (including roll-overs) of short-term debt and NRI deposits.

Parliamentary Committees

9.50 The Rajya Sabha Committee on Government Assurances headed by Ms. Saroj Khaparde visited the Bank on January 9, 1998 and held discussions with the Top Executives.

Visit of Foreign Dignitaries

9.51 A German parliamentary committee led by Mr. Friedhelm Ost visited the Bank on July 14, 1997.

9.52 Dr. Ziad Fariz, Governor, Central Bank of Jordan visited the Bank on October 20, 1997.

9.53 A delegation from National Bank of Slovakia, led by Mr. Jozef Mudrik, Vice Governor visited the Bank on November 21, 1997.

9.54 A delegation led by Mr. Zhang Haoruo, Executive Vice Minister of State Commission for Restructuring the Economic System, People's Republic of China visited the Bank on February 16, 1998.

9.55 Mr. Herb Dhaliwal, Canadian Minister of National Revenue visited the Bank on March 27, 1998.

9.56 A High powered US business delegation led by Mr. Howard L. Clark, Chairman, US-India Business Council visited the Bank on April 1, 1998.

Central Board/Local Boards

9.57 Dr. Bimal Jalan was appointed as Governor for a period of three years from November 22, 1997.

9.58 Dr. C. Rangarajan, Governor, relinquished charge of his office with effect from the close of business on November 21, 1997.

9.59 Shri R.V. Gupta, Deputy Governor, relinquished charge of his office with effect from the close of business on November 30, 1997.

9.60 Shri B.N. Adarkar, former Governor, passed away on March 20, 1998.

9.61 Shri B. Venkatappaiah, former Deputy Governor, passed away on August 17, 1997.

Appointment/ Retirement of Executives

9.62 Shri B.S. Sharma, Chief General Manager, was appointed as Executive Director with effect from November 1, 1997.

9.63 Shri S.M. Taqi Husaini has been appointed as Executive Director with effect from June 1, 1998.

9.64 Shri V. Rangarajan, Executive Director, retired from the Bank's service from the close of business on October 31, 1997.

9.65 Shri S.A. Hussain, Executive Director, retired from the Bank's service from the close of business on May 30, 1998.