

BIMAL JALAN TO HEAD SIX-MEMBER PANEL ON RBI'S ECONOMIC CAPITAL FRAMEWORK

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Bimal Jalan

The Reserve Bank of India (RBI), in consultation with the government, has set up a six-member committee to review the economic capital framework of the central bank.

Former RBI Governor Bimal Jalan will be the committee's chairman and former Deputy Governor Rakesh Mohan deputy chairman.

The other members are Economic Affairs Secretary Subash Chandra Garg, RBI Deputy Governor N.S. Vishwanathan and two board members of the RBI — Bharat Doshi and Sudhir Mankad.

Dr. Jalan was the Governor of the RBI between November 1997 and September 2003.

The committee would submit its report within 90 days from the date of its first meeting, the RBI said in a statement on Wednesday.

The terms of reference of the committee would be to review status, need and justification of various provisions, reserves and buffers presently provided for by the RBI, keeping in mind 'public policy mandate of the RBI, including financial stability considerations.'

Global best practices

The committee will also review best practices followed by the central banks globally in making assessment and provisions for risks, to which central bank balance sheets are subjected.

The panel would also suggest an adequate level of risk provisioning that the RBI needs to maintain, and to determine whether it is holding provisions, reserves and buffers in surplus or deficit of the required level.

The committee would also propose a suitable profit distribution policy taking into account all the likely situations of the RBI, including holding more provisions than required and the RBI holding less provisions than required, the statement said.

After the government started pushing the central bank to review its economic capital framework, the RBI board, at its meeting on November 19, decided to set up a committee to review the issue.

The economic capital issue was a bone of contention, among other issues, between the central bank and the Finance Ministry.

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