

# UNITED FORUM OF RESERVE BANK OFFICERS & EMPLOYEES

CIRCULAR

4<sup>th</sup> May 2015

Dear Friends,

The Finance Bill 2015 was taken up for discussions in the Lok Sabha on 30<sup>th</sup> April 2015, preponing it from a scheduled later date. While introducing the Bill Finance Minister, Sri Arun Jaitley withdrew entire Chapter VII from the Finance Bill pertaining to setting up proposed Public Debt Management Agency (PDMA), and in addition, the proposed amendments to RBI Act 45U and 45W taking away RBI powers to regulate government securities were dropped. The Hon'ble Minister, however, said "Since RBI has been handling public debt management, the government in consultation with RBI will prepare a detailed road map separating the debt management function and the market infrastructure from RBI and having a unified financial market." He gives time frame of a year.

Thus, RBI retains all its powers for the time being. Withdrawal of so many provisions / clauses from the Finance Bill is a rarity in the history of our country's Parliamentary system.

The Government have clearly backtracked, which is, however, welcome, for we have been insisting that on such sensitive matters as diluting RBI powers, and clipping its authorities, jurisdiction and functions, which have enormous far-reaching implications for the country's economy, there should be wide-ranging national discussions and consensus. The Government have primarily erred in not taking that eminently sensible route.

In the debate that followed, as per reports in various newspapers and Parliamentary proceedings (as per Lok Sabha website) the government faced sharp criticism on (1) why such an important matter has been brought through the Money Bill which precludes members of Rajya Sabha debating on the same (2) "Public Debt Management Agency is the new policy matter of the Government of India. This is to curtail the wings of the Reserve Bank of India. Government is trying to weaken that institution also." (3) Whether State Governments which have a vital stake in "independent funding regulator" have been consulted and their opinions sought; (4) "The RBI has done a lot for controlling the inflation. The Reserve Bank has created confidence not only in India but also all over the world. The Reserve Bank also has some reservations on the move of the Government to create an independent funding regulator."

The above questions / observations including "points of order" were raised and criticism was voiced by several Hon'ble Members viz. **Sarvashri N. K. Premachandran (RSP)** from Kerala, **Prof. Saugata Roy (TMC)** from West Bengal, **Prof. K. V. Thomas (Cong - I)** from Kerala and also with positive interventions from **Sri Mallikarjun Kharge**, leader of opposition in the Parliament.

Friends, as we find, in the whole debate our appeal to Hon'ble MPs dated 13<sup>th</sup> April 2015 has played a significant role, as the points we stressed therein, were effectively raised in the House. We profusely thank the Hon'ble Members and are happy that we contributed our mite in protecting our beloved institution.

The RBI Governor, Dr. Raghuram Rajan also played a crucial role by taking up the issues cogently and forcefully with the Government of India. Several Deputy Governors also voiced their apprehensions in public. All these alerted the peoples' representatives.

We have got some respite, no doubt. But our task remains undiminished. We have to generate a national discourse on the issue(s). We cannot allow RBI to be weakened and crippled. That will be a national disaster.

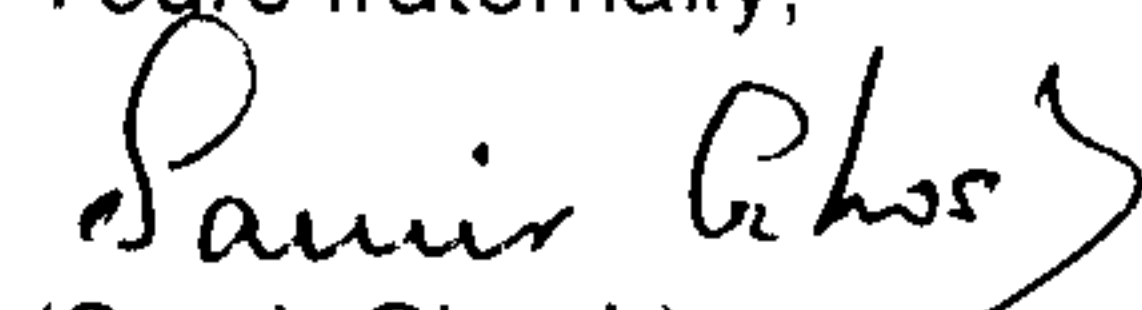
**Sri Jaitley mentioned, inter alia, in the Lok Sabha, that as regards debt management, securities regulations etc. India should follow US and UK. We humbly differ. The whole world knows that the catastrophic global melt down started in USA in 2008, spread immediately to the shores of Europe including UK. India was, however, more or less unaffected. So, we need not follow US and UK always and in all regards. Our experience, knowledge and our problems, perceptions may not always be the same.**

While, we have to campaign extensively, we have to make our members aware, primarily. Our appeal to MPs, State Chief Ministers, Central Board Members should be widely circulated in all offices and the contents explained.

United Forum will meet soon to decide on our course of activities and campaign.

With warm greetings,

Yours fraternally,

  
(Samir Ghosh)  
Convener