



The Reserve Bank is the nation's sole note issuing authority. Along with the Government of India, we are responsible for the design, production and overall management of the nation's currency, with the goal of ensuring an adequate supply of clean and genuine notes.

Along with Government of India, we are responsible for the design, production and overall management of the nation's currency, with the goal of ensuring an adequate supply of clean and genuine notes.

The Government of India is the issuing authority of coins and supplies coins to the Reserve Bank on demand. The Reserve Bank puts the coins into circulation on behalf of the Central Government.

In consultation with the Government of India, we work towards maintaining confidence in the currency by constantly endeavouring to enhance integrity of banknotes through new design and security features.

- Focus continues on ensuring availability of clean notes and on strengthening the security features of bank notes. Given the volumes involved and costs incurred in the printing, transport, storage and removal of unfit/soiled notes, the Reserve Bank is evaluating ways to extend the life of bank notes - particularly in lower denominations. We are for instance considering issue of varnished banknotes.
- Final Final Final 01 02 03 04

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to [A. P. \(DIR Series\) Circular No.19 dated January 24, 2002](#), [A. P. \(DIR Series\) Circular No. 63 dated December 21, 2002](#), [A. P. \(DIR Series\) Circular No. 26 dated November 1, 2004](#), [A. P. \(DIR Series\) Circular No. 22 dated December 13, 2006](#) and [A. P. \(DIR Series\) Circular No. 52 dated May 8, 2007](#), in terms of which persons resident in India have been allowed to enter into forward contracts on the basis of underlying exposures. Further, exporters and importers have also been allowed to book forward contracts on the basis of declaration of exposures and based on past performances, subject to specified conditions.

2. As announced in the Annual Policy Statement for the Year 2007-08 (paras 142 and 143), with a view to provide greater flexibility to the Small and Medium Enterprises (SME) sector and resident individuals, it has been decided to further liberalise the scope and range of forward contracts to facilitate such entities to hedge their foreign currency exposures on a dynamic basis. Accordingly, a draft circular was placed on the website on June 1, 2007 for users' views / comments. Subsequently, discussions were also held with FEDAI and banks. In the light of feedback now received from banks, FEDAI, user group, etc. the guidelines have been suitably modified.

#### **Small and Medium Enterprises (SMEs) (para 142)**

3. In order to enable Small and Medium Enterprises (SMEs), having direct and / or indirect exposures to foreign exchange risk to manage their exposures effectively, it has been decided to allow AD Category – I banks to permit such entities to book / cancel / rebook / roll over forward contracts, subject to the following conditions:

(i) Such contracts may be allowed to be booked after ensuring that the entity qualifies as SME as defined by the Rural Planning and Credit Department, Reserve Bank of India vide circular RPCD.PLNS. BC.No.63/06.02.31/2006-07 dated April 4, 2007.

(ii) Such contracts may be booked through AD Category – I banks with whom the SMEs have credit facilities and / or banking relationship and the total forward contracts booked should be in alignment with the credit facilities availed by them for their foreign exchange requirements or their working capital requirements or capital expenditure.

(iii) AD Category – I bank should carry out due diligence regarding "*user appropriateness*" and "*suitability*" of the forward contracts to the SME customers as per Para 8.3 of 'Comprehensive Guidelines on Derivatives' issued vide DBOD.No.BP.BC. 86/21.04.157/2006-07 dt.April 20, 2007.

(iv) The SMEs availing this facility should furnish a declaration to the AD Category – I bank regarding the amounts of forward contracts already booked, if any, with other AD Category – I banks under this facility.

4. SMEs are also permitted to use foreign currency rupee options for hedging their exposures.

#### **Resident Individuals (para 143)**

5. In order to enable resident individuals to manage / hedge their foreign exchange exposures arising out of actual or anticipated remittances, both inward and outward, it has been decided to permit them to book forward contracts without production of underlying documents up to a limit of USD 100,000, based on self declaration. The contracts booked under this facility would normally be on a deliverable basis. However, in case of mismatches in cash flows or other exigencies, the contracts booked under this facility may be allowed to be cancelled and re-booked. The notional value of the outstanding contracts should not exceed USD 100,000 at any time. Further, the contracts may be permitted to be booked up to tenors of one year only.

6. Such contracts may be booked through AD Category I banks with whom the resident individual has banking relationship, on the basis of an application-cum-declaration in the format given in [Annex I](#). The AD Category – I banks should satisfy themselves that the resident individuals understand the nature of risk inherent in booking of forward contracts and should carry out due diligence regarding "*user appropriateness*" and "*suitability*" of the forward contracts to such customer.

7. AD Category – I banks are required to submit a quarterly report to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Central Office Building, Mumbai - 400 001 within the first week of the following month, as per format given in [Annex II](#).

8. Necessary amendments to Notification No. 25/2000-RB dated 3<sup>rd</sup> May 2000 [Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000] are being issued separately.

9. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

10. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

The Chairman / Managing Director / Chief Executive Officer  
Authorised Payment System Operators and Participants (Banks and Non-banks)

Madam / Dear Sir,

Enhancing transaction limits for Small Value Digital Payments in Offline Mode

This has reference to the Reserve Bank of India [circular CO.DPSS.POLC.No.S1264/02-14-003/2021-2022 dated January 03, 2022](#) on “Framework for Facilitating Small Value Digital Payments in Offline Mode”.

2. As announced in the [Statement on Development and Regulatory Policies dated August 10, 2023](#), the upper limit of an offline payment transaction is increased to ₹500. Other instructions mentioned in the framework shall continue to remain applicable as before.

3. This directive is issued under Section 10 (2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and shall come into effect immediately.

Thank you for your kind invitation. I am delighted to be in India for the first time at this juncture as you celebrate the 60<sup>th</sup> anniversary of your independence and enjoy the international spotlight as the result of your splendid economic performance.

It is a great pleasure and privilege to deliver this address today for two main reasons. Firstly, this lecture is in honour of a truly great person, Mr Chintaman Deshmukh. The contribution of Mr Deshmukh to the Indian economy cannot be exaggerated as is borne out by his long service to this country as Governor of the Reserve Bank of India, Member of the Planning Commission of the Government of India, Minister of Finance, Vice-Chancellor of the University of Delhi and as President of the Indian Statistical Institute from 1945 to 1964, amongst others. Secondly, I understand that this lecture series has been graced with the presence of some truly remarkable speakers. I am indeed very grateful to be accorded the privilege to deliver this the 13<sup>th</sup> lecture in this series.

The relationship between South Africa and India is a very strong one today. This relationship, however, goes back a long way in history. President Nelson Mandela, the former President of the Republic of South Africa encapsulated this quite well when he said that “India and South Africa are two countries held so closely by bonds of sentiment, common values and shared experience, by affinity of cultures and traditions and by geography“. The contribution of one of your and our favourite sons, Mohandas Karamchand (Mahatma) Gandhi, and the support received from the Indian authorities during the liberation struggle went a long way towards assisting South Africa to achieve democracy in 1994. The important role that India played in South Africa's transition to democracy is without question and highly appreciated back home.

Currently, strategic relationships on the bilateral and multilateral fronts hold promising opportunities of mutual benefit for both our countries. Already, bilateral trade between India and South Africa has increased by well over 100 per cent in the past four years and a Preferential Trade Agreement between South Africa and India aims to treble trade by 2010. In addition, South Africa has been benefiting from India's rich entrepreneurial and educational skills base, with many teachers and other skilled personnel being employed in various institutions in our country.

South Africa is currently India's biggest investment partner in sub-Saharan Africa, serving as an important entry point into the rest of Africa. Indian investments in our country have grown significantly over the years,

and have become more diverse, ranging from vehicles (Tata, Mahindra), steel (Arcelor Mittal), telecommunications (Neotel) and pharmaceutical companies such as Ranbaxy. Investments from South Africa to India are also growing. South African Breweries acquired stakes in various Indian breweries. Other areas in which South African companies have invested include insurance, diamond exploration and infrastructure. In February 2006, the Airports Company of South Africa (ACSA) won the contract for upgrading the Mumbai Airport. I also gather that SASOL is interested in a coal-to-synthetic automotive fuel project in India and many other South African companies have signed up marketing contracts with Indian companies in the pharmaceutical sector.

On the multilateral front, initiatives such as that involving India, Brazil and South Africa (IBSA) and Brazil, Russia, India, China and South Africa (BRICS) provide useful platforms for the strengthening of ties between our two countries and the South-South economic relations in general. In addition, over the last few years India, South Africa, Brazil and China have been recognised as systematically important countries to the extent that they have been regularly invited to the G-7 meetings in order to contribute to the discussion on global economic and financial matters. On the one hand, this participation has taken place usually on the fringes of the main G-7 meetings, thus raising the question about the seriousness with which the G-7 countries give to these meetings. On the other hand, these four countries have started to meet on a regular basis in order to strengthen co-operation on issues of common interest.

As you may well be aware, one of the burning issues at the moment relates to increasing the “voice” or representation of emerging-market economies in international financial institutions such as the IMF and World Bank. This issue, together with other matters relating to the reform of the Bretton Woods Institutions have also been key agenda items addressed this year during the preparatory meetings for the G-20 meeting of Ministers of Finance and Central Bank Governors. As we know, South Africa currently chairs the G-20 Forum and it will be our pleasure and privilege to welcome the Indian G-20 delegation in South Africa during November. There are many issues which are the centre of focus to the G-20 this year, but most prominently are the fiscal elements of growth and development and the impact of commodity prices on member countries. South Africa and India do not only share common policy positions on many of these issues, but have also been very active in advocating the interests of emerging-market economies in this new world order.

Both countries have benefited from the economic reforms implemented over the last decade or so. However, both countries have similar economic challenges which in the main relate to, inequality, poverty alleviation and the reduction of unemployment. As a central banker, I wish to dwell on some issues and challenges facing monetary policy in emerging markets.

One of the defining characteristics of global economic developments over the last three decades has been termed the “Great Moderation” –the sustained decline in the volatility of output and inflation. This development has been due to the structural changes that many economies have undergone. Some have attributed these changes to the implementation of better policy options and others to simply good luck. Professor Kenneth Rogoff of Harvard University has argued on many occasions that improved competitiveness as a result of increased globalisation coupled with better policies has had a major positive impact on inflationary trends in many countries. The declining trend in inflation since 1990 is clearly evident in India and South Africa. Inflation in India has declined steadily from an average of 10,3 per cent between 1990–1994, to 8,9 per cent between 1995–1999 and to 4,3 per cent in this decade. Similarly in South Africa, inflation has declined from an average of 12,5 per cent, to 7,3 per cent and to 5,1 per cent over the same time periods.

The economic growth performance of both countries has also been quite impressive. Since 1990, India has experienced average growth rates of around 6 per cent per annum, increasing to an impressive 9 per cent in the last two years. It is now widely expected that the Indian economic growth rate trajectory would be very close to, if not, in double digit territory in the short to medium term. South Africa has not been performing badly either, with an average economic growth rate of about 3,4 per cent per year since the

advent of democracy in 1994, compared to an average of below 1 per cent in the previous decade. Over the last three years, however, growth has averaged about 5 per cent and the current trend in the economic growth rate is the longest experienced in the country's recorded history.

In pursuance with the Government of India notification dated January 14, 2020, Dr. Michael Debabrata Patra took over as the Deputy Governor of Reserve Bank of India today for a period of three years or until further orders, whichever is earlier.

Dr. Patra was Executive Director of the Reserve Bank before being elevated to the post of Deputy Governor.

As Deputy Governor, Dr. Patra will look after Monetary Policy Department including Forecasting and Modelling Unit (MPD/MU), Financial Markets Operations Department (FMOD), Financial Markets Regulation Department including Market Intelligence (FMRD/MI), International Department (Intl. D), Department of Economic and Policy Research (DEPR), Department of Statistics & Information Management (including Data and Information Management Unit) (DSIM/DIMU), Corporate Strategy and Budget Department (CSBD) and Financial Stability Unit.

Dr. Patra, a career central banker since 1985, has worked in various positions in Reserve Bank of India. As Executive Director, he was a member of the Monetary Policy Committee (MPC) of Reserve Bank of India, which is entrusted with the responsibility of monetary policy decision making in India. He will continue to be an ex-officio member of the MPC as Deputy Governor.

Prior to this, he was Principal Adviser of the Monetary Policy Department, Reserve Bank of India between July 2012 and October 2014. He has worked in the International Monetary Fund as Senior Adviser to Executive Director (India) during December 2008 to June 2012, when he actively engaged in the work of the IMF's Executive Board through the period of the global financial crisis and the ongoing Euro area sovereign debt crisis. His book "The Global Economic Crisis through an Indian looking glass" vividly captures this experience. He has also published papers in the areas of inflation, monetary policy, international trade and finance, including exchange rates and the balance of payments. A Fellow of the Harvard University where he undertook post-doctoral research in the area of financial stability, he has a Ph.D. in Economics from the Indian Institute of Technology, Bombay.

The Central Government has re-appointed Dr. Michael Debabrata Patra as Deputy Governor, Reserve Bank of India for a further period of one year with effect from January 15, 2023, or until further orders, whichever is earlier.

External Research Activities supported by the Reserve Bank through the Development Research Group

The Development Research Group (DRG) was constituted in the Reserve Bank (hereafter the 'Bank') as part of the Department of Economic and Policy Research (DEPR) in November 1991, with the objective of undertaking quick and effective policy-oriented research, backed by strong analytical and empirical formulations, on subjects of current interest. Through the DRG, the Bank provides financial support to individual researchers/experts and universities/research institutions to facilitate theoretical and quantitative research and teaching/training in economics, banking, finance and other subjects of interest to the Bank. The Bank provides financial support for following research activities:

The Reserve Bank has instituted RBI Professorial Chairs in premier universities and research institutions in India with the major objective to promote excellence in research and learning in the areas relevant to the Bank's work. Under the scheme, the Bank sets up a corpus fund in the respective university/research institute with a legally enforceable contract. The contract signed by the Bank with respective institutions for establishment of RBI Chairs, provides autonomy to the institutions/Chair Professors in their day-to-day work. The concerned Institute shall have to maintain a separate account for the corpus fund, and, form an investment committee to invest the amount under the corpus fund managed by it as per the guidelines in the contract. The interest earnings from the corpus funds have to be utilised for research and teaching activities, and not for the development of infrastructure. The concerned institute needs to submit the audited 'utilisation certificate' detailing income and expenditure of the corpus fund. The broad criteria for sanctioning a RBI Professorial Chair are:

The Reserve Bank of India has instituted the ["RBI Visiting Fellow Programme"](#) for experts from foreign central banks, international organizations, foreign universities, and other research bodies abroad. The key features of the program is furnished below:

- The visiting fellow should have a Ph.D degree in economics or finance from a recognised foreign university and ideally have a minimum of three years of research experience abroad with a track record of publications in refereed scholarly journals.
- The prospective visiting fellows need to send a research proposal of not more than 1000 words and a detailed curriculum vitae (CV).
- The selection will be based on a joint evaluation of CV, letters of recommendation and the quality of research proposal. The shortlisted visiting fellows could be interviewed through video conferencing/call, if needed.
- The successful visiting fellow will be able to complete the project independently or jointly with researchers in RBI at the central office in areas



such as macroeconomic forecasting and analysis, monetary policy, banking/financial intermediation, financial stability, as well as other macro and structural issues relevant to India and emerging market economies.

- The RBI will provide economy class return air fare, suitable accommodation during stay in Mumbai, a per-diem living allowance, and an honorarium to be paid after successful completion of the project.
- The visiting fellow will have to complete the project in 2 to 3 months, not necessarily stationed in Mumbai for the full period. He/she should be able to spend at least half of the period in the central office in Mumbai in not more than two spells.
- After completion of the project, the visiting fellow will present the research in a seminar at the Reserve Bank of India (RBI) and the same will be published as RBI Working Paper and finally in Reserve Bank of India Occasional Papers.
- Upto four visiting fellows could be considered in a financial year (July-June). RBI, at its discretion, may vary the number of visiting fellows for any year.
- Application for the RBI Visiting Fellow Programme will be received throughout the year and the schedule could be worked out as per mutual convenience. Application along with CV and research proposal may be sent via [email](#).
- The National Summary Data Page (NSDP) links are intended to provide quick access to a single comprehensive source of economic and financial data consistent with the data categories and components described in the subscriber's metadata. Additionally, many of the NSDPs include further links to additional data or information on other national internet data sites.

Under the Special Data Dissemination Standards (SDDS) of the International Monetary Fund (IMF), central banks undertake the responsibility of disseminating information under certain data categories, such as, analytical accounts of the banking sector, analytical accounts of the central bank, balance of payments, international reserves and exchange rates. The IMF requires that these data should be available at regular intervals in public domain.

The IMF as well as central banks also provides a National Summary Data Page (NSDP) on their websites to provide quick access to a single comprehensive source of economic and financial data consistent with the data categories and components described in the subscriber's metadata. Additionally, many of the NSDPs include further links to additional data or information on other national Internet data sites.

The Reserve Bank of India is one of the earliest central bank signatories of SDDS. This section provides the data released by the Reserve Bank of India under SDDS requirements.

Like individual consumers, businesses and organisation of all kinds, banks need their own mechanism to transfer funds and settle inter-bank transaction- such as borrowing from and lending to other banks-and customer transactions. As the banker to banks, the Reserve Bank fulfills this role.

Since its inception, Reserve Bank of India has undertaken the traditional central banking function of managing the government's banking transactions. The Reserve Bank of India Act, 1934 requires the Central Government to entrust the Reserve Bank with all its money, remittance, exchange, and banking transactions in India. The Reserve Bank may also, by an agreement, act as a banker to State Governments.

The Reserve Bank has well defined obligations and provides several banking services to the Governments. As a banker to the Government, the Reserve Bank receives and pays money on behalf of the various Government Departments. It provides Ways and Means Advances – a short-term interest-bearing advance – to the Governments, to meet temporary mismatches in their receipts and payments. Besides, like a portfolio manager, it also arranges for investment of surplus cash balances of the Governments. The Reserve Bank acts as an adviser to the Government, whenever called upon to do so, on monetary and banking related matters. The Central Government and State Governments may make rules for the receipt, custody and disbursement of money from the consolidated fund, contingency fund, and public account. These rules are legally binding on the Reserve Bank as accounts for these funds are with the Reserve Bank.

The banking functions for the Governments are carried out by the Government Banking Divisions at the offices/branches of the Reserve Bank. As it has offices and sub-offices in 34 locations, the Reserve Bank appoints other banks to act as its agents for undertaking the banking business on behalf of the Governments. The Reserve Bank pays commission to the agency banks for the same. Final compilation of Government accounts, of the Centre and the States, is done at Central Accounts Section, Nagpur office of the Reserve Bank.

Banks are also required to maintain a portion of their demand and time liabilities as cash reserves with the Reserve Bank. For this purpose, they need to maintain current account with the Reserve Bank. The current account of the banks is opened by the Banking Departments of the Reserve Bank's Regional offices. The Department of Government and Bank Accounts (DGBA) issues general guidelines for opening the current accounts.

Under Sections 20 and 21 of the RBI Act, 1934, the RBI shall have an obligation and right respectively to accept monies for account of the Central Government and to make payments up to the amount standing to the credit of its account, and to carry out its exchange, remittance, and other banking operations.



Under the administrative arrangements, the Central Government is required to maintain a minimum cash balance with the RBI. The following accounts of Central Government are maintained in the Regional Offices of RBI and the Principal account of these accounts are maintained at Central Accounts Section (CAS), RBI, Nagpur: i. Central Government - Civil; ii. Railway Fund; iii. Post Fund; iv. Telecommunication Fund; v. Defence Fund; and vi. Departmentalized Ministries. All receipts, payments /disbursements, clearing/remittance transactions take place through these accounts. The Reserve Bank is in the process of opening of more accounts for the Governments for processing the payments which were hitherto handled by the agency banks.

Under Section 21A of the RBI Act, 1934 *ibid* the Bank may, by agreement, with the Government of any State, undertake all its money, remittance, exchange, and banking transactions in India, including in particular, the deposit, free of interest, of all its cash balances with the Bank. Accordingly, as of now, the Bank is banker to all the States and the Union Territories in the country, except for the State of Sikkim. All the State Governments are required to maintain a minimum balance with the Reserve Bank, which varies from State to State, depending on the relative size of the State budget and its economic activity. To tide over temporary mismatches in the cash flow of receipts and payments, the Reserve Bank provides Special Drawing Facility (SDF), Normal Ways and Means Advances and Overdraft (OD) to the State Governments.

The current accounts of individual banks are being opened in e-Kuber (CBS of RBI) by Banking Departments of the Regional Offices. These current accounts are also maintained for participation in centralized and decentralized Payment Systems and are used for settling inter-bank obligations, such as clearing transactions or clearing money market transactions between two banks, buying and selling securities and foreign currencies. Thus, Reserve Bank acts as a common banker, known as 'Banker to banks' function, the operational instructions for which are issued by the concerned Central Office departments of the Reserve Bank. Among other provisions, the Reserve Bank stipulates minimum balances to be maintained by banks in these accounts. It is the responsibility of each bank maintaining current account with the Reserve Bank to ensure that sufficient balance is available in the account to avoid defaults in payments and settlements. As Banker to banks, the Reserve Bank provides short-term loans and advances to select banks, when necessary, to facilitate lending to specific sectors and for specific purposes.

The current accounts of individual banks are being opened in e-Kuber (CBS of RBI) by Banking Departments of the Regional Offices. These current accounts are also maintained for participation in centralized and decentralized Payment Systems and are used for settling inter-bank obligations, such as clearing transactions or clearing money market transactions between two banks, buying and selling securities and foreign currencies. Thus, Reserve Bank acts as a common banker, known as 'Banker to banks' function, the operational instructions for which are issued by the concerned Central Office departments of the Reserve Bank. Among other provisions, the Reserve Bank stipulates minimum balances to be maintained by banks in these accounts. It is the responsibility of each bank maintaining current account with the Reserve Bank to ensure that sufficient balance is available in the account to avoid defaults in payments and settlements. As Banker to banks, the Reserve Bank provides short-term loans and advances to select banks, when necessary, to facilitate lending to specific sectors and for specific purposes. Under Sections 20 and 21 of the RBI Act, 1934, the RBI shall have an obligation and right respectively to accept monies for account of the Central Government and to make payments up to the amount standing to the credit of its account, and to carry out its exchange, remittance, and other banking operations.

Under the administrative arrangements, the Central Government is required to maintain a minimum cash balance with the RBI. The following accounts of Central Government are maintained in the Regional Offices of RBI and the Principal account of these accounts are maintained at Central Accounts Section (CAS), RBI, Nagpur: i. Central Government - Civil; ii. Railway Fund; iii. Post Fund; iv. Telecommunication Fund; v. Defence Fund; and vi. Departmentalized Ministries. All receipts, payments /disbursements, clearing/remittance transactions take place through these accounts. The Reserve Bank is in the process of opening of more accounts for the Governments for processing the payments which were hitherto handled by the agency banks.

Attention of Authorised Dealer Category - I (AD Category - I) banks is invited to [A. P. \(DIR Series\) Circular No.19 dated January 24, 2002](#), [A. P. \(DIR Series\) Circular No. 63 dated December 21, 2002](#), [A. P. \(DIR Series\) Circular No. 26 dated November 1, 2004](#), [A. P. \(DIR Series\) Circular No. 22 dated December 13,](#)

[2006](#) and A. P. (DIR Series) Circular No. 52 dated May 8, 2007, in terms of which persons resident in India have been allowed to enter into forward contracts on the basis of underlying exposures. Further, exporters and importers have also been allowed to book forward contracts on the basis of declaration of exposures and based on past performances, subject to specified conditions.

2. As announced in the Annual Policy Statement for the Year 2007-08 (paras 142 and 143), with a view to provide greater flexibility to the Small and Medium Enterprises (SME) sector and resident individuals, it has been decided to further liberalise the scope and range of forward contracts to facilitate such entities to hedge their foreign currency exposures on a dynamic basis. Accordingly, a draft circular was placed on the website on June 1, 2007 for users' views / comments. Subsequently, discussions were also held with FEDAI and banks. In the light of feedback now received from banks, FEDAI, user group, etc. the guidelines have been suitably modified.

#### **Small and Medium Enterprises (SMEs) (para 142)**

3. In order to enable Small and Medium Enterprises (SMEs), having direct and / or indirect exposures to foreign exchange risk to manage their exposures effectively, it has been decided to allow AD Category – I banks to permit such entities to book / cancel / rebook / roll over forward contracts, subject to the following conditions:

(i) Such contracts may be allowed to be booked after ensuring that the entity qualifies as SME as defined by the Rural Planning and Credit Department, Reserve Bank of India vide circular RPCD.PLNS. BC.No.63/06.02.31/2006-07 dated April 4, 2007.

(ii) Such contracts may be booked through AD Category – I banks with whom the SMEs have credit facilities and / or banking relationship and the total forward contracts booked should be in alignment with the credit facilities availed by them for their foreign exchange requirements or their working capital requirements or capital expenditure.

(iii) AD Category – I bank should carry out due diligence regarding "*user appropriateness*" and "*suitability*" of the forward contracts to the SME customers as per Para 8.3 of 'Comprehensive Guidelines on Derivatives' issued vide DBOD.No.BP.BC. 86/21.04.157/2006-07 dt.April 20, 2007.

(iv) The SMEs availing this facility should furnish a declaration to the AD Category – I bank regarding the amounts of forward contracts already booked, if any, with other AD Category – I banks under this facility.

4. SMEs are also permitted to use foreign currency rupee options for hedging their exposures.

#### **Resident Individuals (para 143)**

5. In order to enable resident individuals to manage / hedge their foreign exchange exposures arising out of actual or anticipated remittances, both inward and outward, it has been decided to permit them to book forward contracts without production of underlying documents up to a limit of USD 100,000, based on self declaration. The contracts booked under this facility would normally be on a deliverable basis. However, in case of mismatches in cash flows or other exigencies, the contracts booked under this facility may be allowed to be cancelled and re-booked. The notional value of the outstanding contracts should not exceed USD 100,000 at any time. Further, the contracts may be permitted to be booked up to tenors of one year only.

6. Such contracts may be booked through AD Category I banks with whom the resident individual has banking relationship, on the basis of an application-cum-declaration in the format given in [Annex I](#). The AD Category – I banks should satisfy themselves that the resident individuals understand the nature of risk inherent in booking of forward contracts and should carry out due diligence regarding "*user appropriateness*" and "*suitability*" of the forward contracts to such customer.

7. AD Category – I banks are required to submit a quarterly report to the Chief General Manager, Reserve Bank of India, Foreign Exchange Department, Central Office, Forex Markets Division, Central Office Building, Mumbai - 400 001 within the first week of the following month, as per format given in [Annex II](#).

8. Necessary amendments to Notification No. 25/2000-RB dated 3<sup>rd</sup> May 2000 [Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000] are being issued separately.

9. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

10. The directions contained in this circular have been issued under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and is without prejudice to permissions/approvals, if any, required under any other law.

The Chairman / Managing Director / Chief Executive Officer  
Authorised Payment System Operators and Participants (Banks and Non-banks)

Madam / Dear Sir,

Enhancing transaction limits for Small Value Digital Payments in Offline Mode

This has reference to the Reserve Bank of India [circular CO.DPSS.POLC.No.S1264/02-14-003/2021-2022 dated January 03, 2022](#) on “Framework for Facilitating Small Value Digital Payments in Offline Mode”.

2. As announced in the [Statement on Development and Regulatory Policies dated August 10, 2023](#), the upper limit of an offline payment transaction is increased to ₹500. Other instructions mentioned in the framework shall continue to remain applicable as before.

3. This directive is issued under Section 10 (2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and shall come into effect immediately.

Thank you for your kind invitation. I am delighted to be in India for the first time at this juncture as you celebrate the 60<sup>th</sup> anniversary of your independence and enjoy the international spotlight as the result of your splendid economic performance.

It is a great pleasure and privilege to deliver this address today for two main reasons. Firstly, this lecture is in honour of a truly great person, Mr Chintaman Deshmukh. The contribution of Mr Deshmukh to the Indian economy cannot be exaggerated as is borne out by his long service to this country as Governor of the Reserve Bank of India, Member of the Planning Commission of the Government of India, Minister of Finance, Vice-Chancellor of the University of Delhi and as President of the Indian Statistical Institute from 1945 to 1964, amongst others. Secondly, I understand that this lecture series has been graced with the presence of some truly remarkable speakers. I am indeed very grateful to be accorded the privilege to deliver this the 13<sup>th</sup> lecture in this series.

The relationship between South Africa and India is a very strong one today. This relationship, however, goes back a long way in history. President Nelson Mandela, the former President of the Republic of South Africa encapsulated this quite well when he said that “India and South Africa are two countries held so closely by bonds of sentiment, common values and shared experience, by affinity of cultures and traditions

and by geography". The contribution of one of your and our favourite sons, Mohandas Karamchand (Mahatma) Gandhi, and the support received from the Indian authorities during the liberation struggle went a long way towards assisting South Africa to achieve democracy in 1994. The important role that India played in South Africa's transition to democracy is without question and highly appreciated back home.

Currently, strategic relationships on the bilateral and multilateral fronts hold promising opportunities of mutual benefit for both our countries. Already, bilateral trade between India and South Africa has increased by well over 100 per cent in the past four years and a Preferential Trade Agreement between South Africa and India aims to treble trade by 2010. In addition, South Africa has been benefiting from India's rich entrepreneurial and educational skills base, with many teachers and other skilled personnel being employed in various institutions in our country.

South Africa is currently India's biggest investment partner in sub-Saharan Africa, serving as an important entry point into the rest of Africa. Indian investments in our country have grown significantly over the years, and have become more diverse, ranging from vehicles (Tata, Mahindra), steel (Arcelor Mittal), telecommunications (Neotel) and pharmaceutical companies such as Ranbaxy. Investments from South Africa to India are also growing. South African Breweries acquired stakes in various Indian breweries. Other areas in which South African companies have invested include insurance, diamond exploration and infrastructure. In February 2006, the Airports Company of South Africa (ACSA) won the contract for upgrading the Mumbai Airport. I also gather that SASOL is interested in a coal-to-synthetic automotive fuel project in India and many other South African companies have signed up marketing contracts with Indian companies in the pharmaceutical sector.

On the multilateral front, initiatives such as that involving India, Brazil and South Africa (IBSA) and Brazil, Russia, India, China and South Africa (BRICS) provide useful platforms for the strengthening of ties between our two countries and the South-South economic relations in general. In addition, over the last few years India, South Africa, Brazil and China have been recognised as systematically important countries to the extent that they have been regularly invited to the G-7 meetings in order to contribute to the discussion on global economic and financial matters. On the one hand, this participation has taken place usually on the fringes of the main G-7 meetings, thus raising the question about the seriousness with which the G-7 countries give to these meetings. On the other hand, these four countries have started to meet on a regular basis in order to strengthen co-operation on issues of common interest.

As you may well be aware, one of the burning issues at the moment relates to increasing the "voice" or representation of emerging-market economies in international financial institutions such as the IMF and World Bank. This issue, together with other matters relating to the reform of the Bretton Woods Institutions have also been key agenda items addressed this year during the preparatory meetings for the G-20 meeting of Ministers of Finance and Central Bank Governors. As we know, South Africa currently chairs the G-20 Forum and it will be our pleasure and privilege to welcome the Indian G-20 delegation in South Africa during November. There are many issues which are the centre of focus to the G-20 this year, but most prominently are the fiscal elements of growth and development and the impact of commodity prices on member countries. South Africa and India do not only share common policy positions on many of these issues, but have also been very active in advocating the interests of emerging-market economies in this new world order.

Both countries have benefited from the economic reforms implemented over the last decade or so. However, both countries have similar economic challenges which in the main relate to, inequality, poverty alleviation and the reduction of unemployment. As a central banker, I wish to dwell on some issues and challenges facing monetary policy in emerging markets.

One of the defining characteristics of global economic developments over the last three decades has been termed the "Great Moderation" –the sustained decline in the volatility of output and inflation. This development has been due to the structural changes that many economies have undergone. Some have attributed these changes to the implementation of better policy options and others to simply good luck.



Professor Kenneth Rogoff of Harvard University has argued on many occasions that improved competitiveness as a result of increased globalisation coupled with better policies has had a major positive impact on inflationary trends in many countries. The declining trend in inflation since 1990 is clearly evident in India and South Africa. Inflation in India has declined steadily from an average of 10,3 per cent between 1990–1994, to 8,9 per cent between 1995–1999 and to 4,3 per cent in this decade. Similarly in South Africa, inflation has declined from an average of 12,5 per cent, to 7,3 per cent and to 5,1 per cent over the same time periods.

The economic growth performance of both countries has also been quite impressive. Since 1990, India has experienced average growth rates of around 6 per cent per annum, increasing to an impressive 9 per cent in the last two years. It is now widely expected that the Indian economic growth rate trajectory would be very close to, if not, in double digit territory in the short to medium term. South Africa has not been performing badly either, with an average economic growth rate of about 3,4 per cent per year since the advent of democracy in 1994, compared to an average of below 1 per cent in the previous decade. Over the last three years, however, growth has averaged about 5 per cent and the current trend in the economic growth rate is the longest experienced in the country's recorded history.

In pursuance with the Government of India notification dated January 14, 2020, Dr. Michael Debabrata Patra took over as the Deputy Governor of Reserve Bank of India today for a period of three years or until further orders, whichever is earlier.

Dr. Patra was Executive Director of the Reserve Bank before being elevated to the post of Deputy Governor.

As Deputy Governor, Dr. Patra will look after Monetary Policy Department including Forecasting and Modelling Unit (MPD/MU), Financial Markets Operations Department (FMOD), Financial Markets Regulation Department including Market Intelligence (FMRD/MI), International Department (Intl. D), Department of Economic and Policy Research (DEPR), Department of Statistics & Information Management (including Data and Information Management Unit) (DSIM/DIMU), Corporate Strategy and Budget Department (CSBD) and Financial Stability Unit.

Dr. Patra, a career central banker since 1985, has worked in various positions in Reserve Bank of India. As Executive Director, he was a member of the Monetary Policy Committee (MPC) of Reserve Bank of India, which is entrusted with the responsibility of monetary policy decision making in India. He will continue to be an ex-officio member of the MPC as Deputy Governor.

Prior to this, he was Principal Adviser of the Monetary Policy Department, Reserve Bank of India between July 2012 and October 2014. He has worked in the International Monetary Fund as Senior Adviser to Executive Director (India) during December 2008 to June 2012, when he actively engaged in the work of the IMF's Executive Board through the period of the global financial crisis and the ongoing Euro area sovereign debt crisis. His book "The Global Economic Crisis through an Indian looking glass" vividly captures this experience. He has also published papers in the areas of inflation, monetary policy, international trade and finance, including exchange rates and the balance of payments. A Fellow of the Harvard University where he undertook post-doctoral research in the area



of financial stability, he has a Ph.D. in Economics from the Indian Institute of Technology, Bombay.

The Central Government has re-appointed Dr. Michael Debabrata Patra as Deputy Governor, Reserve Bank of India for a further period of one year with effect from January 15, 2023, or until further orders, whichever is earlier.

## External Research Activities supported by the Reserve Bank through the Development Research Group

The Development Research Group (DRG) was constituted in the Reserve Bank (hereafter the 'Bank') as part of the Department of Economic and Policy Research (DEPR) in November 1991, with the objective of undertaking quick and effective policy-oriented research, backed by strong analytical and empirical formulations, on subjects of current interest. Through the DRG, the Bank provides financial support to individual researchers/experts and universities/research institutions to facilitate theoretical and quantitative research and teaching/training in economics, banking, finance and other subjects of interest to the Bank. The Bank provides financial support for following research activities:

The Reserve Bank has instituted RBI Professorial Chairs in premier universities and research institutions in India with the major objective to promote excellence in research and learning in the areas relevant to the Bank's work. Under the scheme, the Bank sets up a corpus fund in the respective university/research institute with a legally enforceable contract. The contract signed by the Bank with respective institutions for establishment of RBI Chairs, provides autonomy to the institutions/Chair Professors in their day-to-day work. The concerned Institute shall have to maintain a separate account for the corpus fund, and, form an investment committee to invest the amount under the corpus fund managed by it as per the guidelines in the contract. The interest earnings from the corpus funds have to be utilised for research and teaching activities, and not for the development of infrastructure. The concerned institute needs to submit the audited 'utilisation certificate' detailing income and expenditure of the corpus fund. The broad criteria for sanctioning a RBI Professorial Chair are:

The Reserve Bank of India has instituted the ["RBI Visiting Fellow Programme"](#) for experts from foreign central banks, international organizations, foreign universities, and other research bodies abroad. The key features of the program is furnished below:

- The visiting fellow should have a Ph.D degree in economics or finance from a recognised foreign university and ideally have a minimum of three years of research experience abroad with a track record of publications in refereed scholarly journals.

- The prospective visiting fellows need to send a research proposal of not more than 1000 words and a detailed curriculum vitae (CV).
- The selection will be based on a joint evaluation of CV, letters of recommendation and the quality of research proposal. The shortlisted visiting fellows could be interviewed through video conferencing/call, if needed.
- The successful visiting fellow will be able to complete the project independently or jointly with researchers in RBI at the central office in areas such as macroeconomic forecasting and analysis, monetary policy, banking/financial intermediation, financial stability, as well as other macro and structural issues relevant to India and emerging market economies.
- The RBI will provide economy class return air fare, suitable accommodation during stay in Mumbai, a per-diem living allowance, and an honorarium to be paid after successful completion of the project.
- The visiting fellow will have to complete the project in 2 to 3 months, not necessarily stationed in Mumbai for the full period. He/she should be able to spend at least half of the period in the central office in Mumbai in not more than two spells.
- After completion of the project, the visiting fellow will present the research in a seminar at the Reserve Bank of India (RBI) and the same will be published as RBI Working Paper and finally in Reserve Bank of India Occasional Papers.
- Upto four visiting fellows could be considered in a financial year (July-June). RBI, at its discretion, may vary the number of visiting fellows for any year.
- Application for the RBI Visiting Fellow Programme will be received throughout the year and the schedule could be worked out as per mutual convenience. Application along with CV and research proposal may be sent via [email](#). 01
- The National Summary Data Page (NSDP) links are intended to provide quick access to a single comprehensive source of economic and financial data consistent with the data categories and components described in the subscriber's metadata. Additionally, many of the NSDPs include further links to additional data or information on other national internet data sites. 01

Under the Special Data Dissemination Standards (SDDS) of the International Monetary Fund (IMF), central banks undertake the responsibility of disseminating information under certain data categories, such as, analytical accounts of the banking sector, analytical accounts of the central bank, balance of payments, international reserves and exchange rates. The IMF requires that these data should be available at regular intervals in public domain. 01

The IMF as well as central banks also provides a National Summary Data Page (NSDP) on their websites to provide quick access to a single comprehensive source of economic and financial data consistent with the data categories and components described in the subscriber's metadata. Additionally, many of the NSDPs include further links to additional data or information on other national Internet data sites. 01

The Reserve Bank of India is one of the earliest central bank signatories of SDDS. This section provides the data released by the Reserve Bank of India under SDDS requirements.

Like individual consumers, businesses and organisation of all kinds, banks need their own mechanism to transfer funds and settle inter-bank transaction- such as borrowing from and lending to other banks-and customer transactions. As the banker to banks, the Reserve Bank fulfills this role. 01

Since its inception, Reserve Bank of India has undertaken the traditional central banking function of managing the government's banking transactions. The Reserve Bank of India Act, 1934 requires the Central Government to entrust the Reserve Bank with all its money, remittance, exchange, and banking transactions in India. The Reserve Bank may also, by an agreement, act as a banker to State Governments.

The Reserve Bank has well defined obligations and provides several banking services to the Governments. As a banker to the Government, the Reserve Bank receives and pays money on behalf of the various Government Departments. It provides Ways and Means Advances – a short-term interest-bearing advance – to the Governments, to meet temporary mismatches in their receipts and payments. Besides, like a portfolio manager, it also arranges for investment of surplus cash balances of the Governments. The Reserve Bank acts as an adviser to the Government, whenever called upon to do so, on monetary and banking related matters. The Central Government and State Governments may make rules for the receipt, custody and disbursement of money from the consolidated fund, contingency fund, and public account. These rules are legally binding on the Reserve Bank as accounts for these funds are with the Reserve Bank. 01

The banking functions for the Governments are carried out by the Government Banking Divisions at the offices/branches of the Reserve Bank. As it has offices and sub-offices in 34 locations, the Reserve Bank appoints other banks to act as its agents for undertaking the banking business on behalf of the Governments. The Reserve Bank pays commission to the agency banks for the same. Final compilation of Government accounts, of the Centre and the States, is done at Central Accounts Section, Nagpur office of the Reserve Bank. 01

Banks are also required to maintain a portion of their demand and time liabilities as cash reserves with the Reserve Bank. For this purpose, they need

to maintain current account with the Reserve Bank. The current account of the banks is opened by the Banking Departments of the Reserve Bank's Regional offices. The Department of Government and Bank Accounts (DGBA) issues general guidelines for opening the current accounts. 01

Under Sections 20 and 21 of the RBI Act, 1934, the RBI shall have an obligation and right respectively to accept monies for account of the Central Government and to make payments up to the amount standing to the credit of its account, and to carry out its exchange, remittance, and other banking operations.

Under the administrative arrangements, the Central Government is required to maintain a minimum cash balance with the RBI. The following accounts of Central Government are maintained in the Regional Offices of RBI and the Principal account of these accounts are maintained at Central Accounts Section (CAS), RBI, Nagpur: i. Central Government - Civil; ii. Railway Fund; iii. Post Fund; iv. Telecommunication Fund; v. Defence Fund; and vi. Departmentalized Ministries. All receipts, payments /disbursements, clearing/remittance transactions take place through these accounts. The Reserve Bank is in the process of opening of more accounts for the Governments for processing the payments which were hitherto handled by the agency banks. 01

Under Section 21A of the RBI Act, 1934 *ibid* the Bank may, by agreement, with the Government of any State, undertake all its money, remittance, exchange, and banking transactions in India, including in particular, the deposit, free of interest, of all its cash balances with the Bank. Accordingly, as of now, the Bank is banker to all the States and the Union Territories in the country, except for the State of Sikkim. All the State Governments are required to maintain a minimum balance with the Reserve Bank, which varies from State to State, depending on the relative size of the State budget and its economic activity. To tide over temporary mismatches in the cash flow of receipts and payments, the Reserve Bank provides Special Drawing Facility (SDF), Normal Ways and Means