

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2801
ANSWERED ON:19.12.2003
RBI RESERVES WITH FOREIGN BANKS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has been keeping a large portion of its cash component as reserves with foreign banks instead of other Indian banks;
- (b) if so, the details about the currency and deposits placed with the foreign banks and the Indian banks as on date; and
- (c) the reasons for giving preference in depositing their reserves with the foreign banks and depriving the benefits accruing to such deposits to the Indian banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL):

(a) and (b) Reserve Bank of India invests a little more than 20% of its foreign exchange reserves in the form of short term deposits with Bank for International Settlements, foreign central banks as also foreign commercial banks. The foreign commercial banks identified for this purpose have top-notch credit rating and do not have any history of default at all.

(c) The international norms currently in vogue do not permit investment of foreign exchange reserves with any domestic entities, including Indian Banks. This is also considered prudent, from the point of view of the heightened need for liquidity at times of any balance of payments-related difficulty, as the Indian banks would also run out of foreign exchange liquidity in such situations and will then be hard pressed to repay/prepay any deposits placed with them by RBI.