

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2498
ANSWERED ON:12.03.2010
UTILIZATION OF FOREIGN EXCHANGE RESERVE
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Will the Minister of FINANCE be pleased to state:

- (a) the year-wise details of deployment/utilisation of Indian Foreign Exchange reserve during the last three years ;
- (b) whether losses have been incurred in the process;
- (c) if so, the details thereof and reasons therefor ; and
- (d) the remedial measures taken or proposed to be taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (d) The main objectives of the Reserve Bank of India's reserve management policy are preserving the long-term value of the reserves in terms of purchasing power, minimising risk and volatility in returns, and maintaining liquidity. In line with the above objectives, India's foreign currency assets are held in major convertible currencies. The reserves are invested in deposits of other country central banks, the Bank for International Settlements (BIS), top-rated foreign commercial banks and in debt instruments of sovereign / sovereign guaranteed and supranational institutions with residual maturity not exceeding 10 years, to provide a strong bias towards capital preservation and liquidity.

The annualized rate of return, net of depreciation, on the multi currency-multi asset portfolio of the RBI and gold declined marginally to 4.2 per cent in 2008-09 from 4.8 per cent in 2007-08.