

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1512
ANSWERED ON:27.11.2009
DIVERSIFICATION OF FOREIGN EXCHANGE HOLDINGS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has plans to diversify its foreign exchange holdings;
- (b) if so, the areas the Government would be focussing while diversifying the foreign exchange asset base;
- (c) whether foreign exchange holding in Euro is mooted; and
- (d) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(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 of returns, and maintaining liquidity. In line with the above objectives, India's foreign currency assets are held in multi-currency and multi-asset portfolio. 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 Foreign Currency Assets are held in different international currencies including Euro.

As part of foreign exchange reserves management operation, the Reserve Bank of India has recently concluded the purchase of 200 metric tonnes of gold from the International Monetary Fund (IMF) under the IMF's limited gold sales programme.