

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3252
ANSWERED ON:12.12.2014
CURRENCY SWAP
Nayak Shri B.V.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken up the matter of currency swap at different International multilateral meetings;
- (b) if so, the details thereof;
- (c) the extent by which it will be beneficial; and
- (d) the reaction of the other countries thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) Yes Madam.

(b) The designated signatories of the Federative Republic of Brazil, the Russian Federation, the Republic of India, the People's Republic of China and the Republic of South Africa signed an Inter-Governmental Treaty on July 15, 2014 at Fortaleza Brazil, to establish the Contingent Reserve Arrangement (CRA). This arrangement will provide financial support in US dollars through currency swaps transactions among BRICS countries, including India. Below are the details of the Arrangement:

i. As per the Treaty, the aggregate size of CRA will be US\$100 billion of which China has committed \$41 billion; Brazil, Russia and India has committed \$18 billion each, and South Africa has committed \$5 billion. It will provide support through liquidity and precautionary instruments in response to actual or potential short-term balance of payments pressures, iii. The countries will be able to access resources subject to maximum access limits to be determined as a multiple of each country's individual commitment.

iv. For India, the multiplier is 1, which implies India will be able to access resources up to \$18 billion USD under both precautionary and liquidity instruments.

(c) and (d): Benefits to accrue to India: The arrangement has been welcomed by the BRICS member countries as it will help BRICS countries, including India, to forestall short-term balance of payments pressures, provide mutual support and further strengthen financial stability of their economies. It would also contribute to strengthening the global financial safety net and complement existing international arrangements as an additional line of defense.