

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

LOK SABHA

UNSTARRED QUESTION NO: 2227

TO BE ANSWERED ON 29th JULY 2016

QUESTION

Monetary Policy Committee

2227. SHRI K. ASHOK KUMAR:

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Government proposes setting up of the Reserve Bank of India(RBI) Monetary Policy Committee (MPC);
- (b) if so, the details and the objectives thereof;
- (c) whether the Government has notified rules governing the procedure for selection of members of the MPC and the terms and conditions of their appointment and if so, the details thereof; and
- (d) the time by which the MPC is likely to be made operational?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ARJUN RAM MEGHWAL)

(a) and (b): A new Chapter IIIF on Monetary Policy has been inserted in the Reserve Bank of India Act, 1934 (RBI Act) by the Finance Act, 2016 to provide for constitution of a Monetary Policy Committee (MPC) to determine the policy rate required for achieving the inflation target determined by Government, in consultation with RBI, in terms of the Consumer Price Index. The institutionalized and statutory monetary policy framework has been envisaged in the RBI Act to meet the challenge of an increasingly complex economy. The primary objective of the monetary policy is to maintain price stability, while keeping in mind the objective of growth. The Government has decided to bring the provisions of RBI Act regarding constitution of MPC into force on 27th June, 2016 vide Notification in the Gazette of India, Extraordinary dated 27.06.2016.

(c) The Rules governing the Procedure for Selection of Members of Monetary Policy Committee and Terms and Conditions of their Appointment have also been notified in the Gazette on 27.6. 2016. Out of the six Members of MPC, three Members will be from the RBI, including the Governor, who will be the ex-officio Chairperson, the Deputy Governor, RBI and one officer of RBI. The other three Members of MPC will be appointed by the Central Government, on the recommendations of a Search-cum-Selection Committee, which will be headed by the Cabinet Secretary. These three Members of MPC will be experts in the field of economics or banking or finance or Monetary policy and will be appointed for a period of 4 years and shall not be eligible for re-appointment.

(d) The MPC will be made operational after the Members under clause (d) of sub-section (2) of section 45ZB of the RBI Act are appointed by the Government on the recommendations of the Search-cum-Selection Committee.
