

<sup>1</sup>[CHAPTER IIIF  
MONETARY POLICY

**45Z. Provisions of this Chapter to override other provisions of Act.**—The provisions of this Chapter shall have effect, notwithstanding anything inconsistent therewith contained in any other provisions of this Act.

**45ZA. Inflation target.**—(1) The Central Government shall, in consultation with the Bank, determine the inflation target in terms of the Consumer Price Index, once in every five years.

(2) The Central Government shall, upon such determination, notify the inflation target in the Official Gazette.

**45ZB. Constitution of Monetary Policy Committee.**—(1) The Central Government may, by notification in the Official Gazette, constitute a Committee to be called the Monetary Policy Committee of the Bank.

(2) The Monetary Policy Committee shall consist of the following Members, namely:—

- (a) the Governor of the Bank—Chairperson, *ex officio*;
- (b) Deputy Governor of the Bank, in charge of Monetary Policy—Member, *ex officio*;
- (c) one officer of the Bank to be nominated by the Central Board—Member, *ex officio*; and
- (d) three persons to be appointed by the Central Government—Members.

(3) The Monetary Policy Committee shall determine the Policy Rate required to achieve the inflation target.

(4) The decision of the Monetary Policy Committee shall be binding on the Bank.

**45ZC. Eligibility and selection of Members appointed by Central Government.**—(1) The Members of the Monetary Policy Committee referred to in clause (d) of sub-section (2) of section 45ZB shall be appointed by the Central Government from amongst persons of ability, integrity and standing, having knowledge and experience in the field of economics or banking or finance or monetary policy:

Provided that no person shall be appointed as a Member, in case such person—

- (i) has completed the age of seventy years on the date of appointment as Member;
- (ii) is a Member of any Board or Committee of the Bank;
- (iii) is an employee of the Bank;
- (iv) is a public servant as defined under section 21 of the Indian Penal Code (45 of 1860);
- (v) is a Member of Parliament or any State Legislature;
- (vi) has been at any time, adjudged as an insolvent;
- (vii) has been convicted of an offence which is punishable with an imprisonment for a term of one hundred and eighty days or more;
- (viii) is physically or mentally incapable of discharging the duties of a Member of the Monetary Policy Committee; or
- (ix) has a material conflict of interest with the Bank and is unable to resolve such conflict.

(2) The Members of the Monetary Policy Committee referred to in clause (d) of sub-section (2) of section 45ZB shall be appointed by the Central Government on the recommendations made by Search-cum-Selection Committee consisting of the following members, namely:—

- (a) Cabinet Secretary—Chairperson;

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1. Ins. by Act 28 of 2016, s. 222 (w.e.f. 27-6-2016).

(b) Governor of the Reserve Bank of India or his representative (not below the rank of Deputy Governor)—member;

(c) Secretary, Department of Economic Affairs—member;

(d) three experts in the field of economics or banking or finance or Monetary policy to be nominated by the Central Government—members.

(3) While selecting the Members of the Monetary Policy Committee, the Search-cum-Selection Committee shall follow such procedure as may be prescribed by the Central Government.

**45ZD. Terms and conditions of appointment of Members of Monetary Policy Committee.—**(1) The Members of the Monetary Policy Committee appointed under clause (d) of sub-section (2) of section 45ZB shall hold office for a period of four years and shall not be eligible for re-appointment.

(2) The terms and conditions of appointment of Members of the Monetary Policy Committee shall be such as may be prescribed by the Central Government and the remuneration and other allowances payable to such Members shall be such as may be specified by the regulations made by the Central Board.

(3) A Member may resign from the Monetary Policy Committee, at any time before the expiry of his tenure under sub-section (1), by giving to the Central Government, a written notice of not less than six weeks, and on the acceptance of the resignation by the Central Government, he shall cease to be a Member of the Monetary Policy Committee.

**45ZE. Removal of Members of Monetary Policy Committee.—**(1) The Central Government may remove from office any Member of the Monetary Policy Committee appointed under clause (d) of sub-section (2) of section 45ZB, who—

(a) is, or at any time has been, adjudged as an insolvent; or

(b) has become physically or mentally incapable of acting as a Member; or

(c) has been convicted of an offence which, in the opinion of the Central Government, involves moral turpitude; or

(d) has failed to adequately disclose any material conflict of interest at the time of his appointment; or

(e) does not attend three consecutive meetings of the Monetary Policy Committee without obtaining prior leave; or

(f) has acquired such financial or other interest as is likely to affect prejudicially his functions as a Member; or

(g) has acquired any post referred to in clauses (ii), (iii), (iv) and clause (v) of the proviso to sub-section (1) of section 45ZC; or

(h) has, in the opinion of the Central Government, so abused his position as to render his continuance in office detrimental to the public interest.

(2) No Member appointed under clause (d) of sub-section (2) of section 45ZB shall be removed under clause (d) or clause (e) or clause (f) or clause (g) or clause (h) of sub-section (1) unless he has been given a reasonable opportunity of being heard in the matter.

**45ZF. Vacancies, etc., not to invalidate proceedings of Monetary Policy Committee.—**No act or proceeding of the Monetary Policy Committee shall be invalid merely by reason of—

(a) any vacancy in, or any defect in the constitution of the Monetary Policy Committee; or

(b) any defect in the appointment of a person acting as a Member of the Monetary Policy Committee; or

(c) any irregularity in the procedure of the Monetary Policy Committee not affecting the merits of the case.

**45ZG. Secretary to Monetary Policy Committee.**—(1) The Bank shall appoint a Secretary to the Monetary Policy Committee to provide secretariat support to the said Committee.

(2) The Secretary shall perform such functions and in such manner as may be specified by the regulations made by the Central Board.

**45ZH. Information for Monetary Policy Committee Members.**—(1) The Bank shall provide all information to the Members of the Monetary Policy Committee that may be relevant to achieve the inflation target.

(2) In addition to information provided by the Bank under sub-section (1), any Member of the Monetary Policy Committee may, at any time, request the Bank for additional information, including any data, models or analysis.

(3) The Bank shall provide the information, as referred to in sub-section (2), to the Member of the Monetary Policy Committee, within reasonable time, unless—

(a) the information pertains to an entity or person and is not publicly available; or

(b) the information allows an entity or person to be identified and the information is not publicly available.

(4) Any information provided by the Bank to a Member of the Monetary Policy Committee shall be provided to all the Members of the Monetary Policy Committee.

**45Z-I. Meetings of Monetary Policy Committee.**—(1) The Bank shall organise at least four meetings of the Monetary Policy Committee in a year.

(2) The meeting schedule of the Monetary Policy Committee for a year shall be published by the Bank at least one week before the first meeting in that year.

(3) The meeting schedule may be changed only—

(a) by way of a decision taken at a prior meeting of the Monetary Policy Committee; or

(b) if, in the opinion of the Governor, an additional meeting is required or a meeting is required to be rescheduled due to administrative exigencies.

(4) Any change in meeting schedule shall be published by the Bank as soon as practicable.

(5) The quorum for a meeting of the Monetary Policy Committee shall be four Members, at least one of whom shall be the Governor and in his absence, the Deputy Governor who is the Member of the Monetary Policy Committee.

(6) The meetings of the Monetary Policy Committee shall be presided over by the Governor, and in his absence by the Deputy Governor who is a Member of the Monetary Policy Committee.

(7) Each Member of the Monetary Policy Committee shall have one vote.

(8) All questions which come up before any meeting of the Monetary Policy Committee shall be decided by a majority of votes by the Members present and voting, and in the event of an equality of votes, the Governor shall have a second or casting vote.

(9) The Central Government may, if it considers necessary, convey its views in writing to the Monetary Policy Committee from time to time.

(10) The vote of each Member of the Monetary Policy Committee for a proposed resolution shall be recorded against such Member.

(11) Each Member of the Monetary Policy Committee shall write a statement specifying the reasons for voting in favour of, or against the proposed resolution.

duct, code of confidentiality and any other incidental matter for the functioning of the Monetary Policy Committee shall be such as may be specified by the regulations made by the Central Board.

(13) The proceeding of the Monetary Policy Committee shall be confidential.

**45ZJ. Steps to be taken to implement decision of Monetary Policy Committee.**—(1) The Bank shall publish a document explaining the steps to be taken by it to implement the decisions of the Monetary Policy Committee, including any changes thereto.

(2) The particulars to be included in such document and the frequency of publications of such document shall be such as may be specified by the regulations made by the Central Board.

**45ZK. Publication of decisions.**—The Bank shall publish, after the conclusion of every meeting of the Monetary Policy Committee, the resolution adopted by the said Committee;

**45ZL. Publication of proceedings of meeting of Monetary Policy Committee.**—The Bank shall publish, on the fourteenth day after every meeting of the Monetary Policy Committee, the minutes of the proceedings of the meeting which shall include the following, namely:—

(a) the resolution adopted at the meeting of the Monetary Policy Committee;

(b) the vote of each member of the Monetary Policy Committee, ascribed to such member, on resolutions adopted in the said meeting; and

(c) the statement of each member of the Monetary Policy Committee under sub-section (11) of section 45ZL on the resolutions adopted in the said meeting.

**45ZM. Monetary Policy Report.**—(1) The Bank shall, once in every six months, publish a document to be called the Monetary Policy Report, explaining—

(a) the sources of inflation; and

(b) the forecasts of inflation for the period between six to eighteen months from the date of publication of the document.

(2) The form and contents of the Monetary Policy Report shall be such as may be specified by the regulations made by the Central Board.

**45ZN. Failure to maintain inflation target.**—Where the Bank fails to meet the inflation target, it shall set out in a report to the Central Government—

(a) the reasons for failure to achieve the inflation target;

(b) remedial actions proposed to be taken by the Bank; and

(c) an estimate of the time-period within which the inflation target shall be achieved pursuant to timely implementation of proposed remedial actions.

*Explanation.*—For the purposes of this section, the factors that constitute failure shall be such as may be notified by the Central Government in the Official Gazette, within three months from the date of the commencement of Part I of Chapter XII of the Finance Act, 2016.

**45ZO. Power to make rules.**—(1) The Central Government may, by notification in the Official Gazette, make rules for the purpose of carrying out the provisions of this Chapter.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for—

(a) the procedure of functioning of the Search-cum-Selection Committee under sub-section (3) of section 45ZC;

(b) the terms and conditions of appointment, (other than the remuneration and other allowances), of Members of the Monetary Policy Committee under sub-section (2) of section 45ZD; and

(c) any other matter which is to be, or may be, prescribed by the Central Government by rules.]