

**Press Information Bureau
Government of India
Ministry of Finance**

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**Government initiates process to constitute Monetary Policy Committee
(MPC) under the Reserve Bank of India Act, 1934**

Government decides to bring the provisions of amended RBI Act regarding constitution of MPC into force on 27th June, 2016 so that statutory basis of MPC is made effective; Rules governing the procedure for Selection of Members of Monetary Policy Committee and Terms and Conditions of their Appointment and factors constituting failure to meet inflation target under the MPC Framework notified on 27th June, 2016.

With a view to maintain price stability, while keeping in mind the objective of growth, the Reserve Bank of India Act, 1934 (RBI Act) has been amended by the Finance Act, 2016 to provide for a statutory and institutionalised framework for a Monetary Policy Committee (MPC). A Committee-based approach will add lot of value and transparency to monetary policy decisions. Out of the six Members of MPC, three Members will be from the Reserve Bank of India (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. The meetings of the MPC shall be held at least 4 times a year and it shall publicise its decisions after each such meeting.

The Government has decided to bring the provisions of amended RBI Act regarding constitution of MPC into force on 27th June, 2016 so that statutory basis of MPC is made effective. The Rules governing the Procedure for Selection of Members of Monetary Policy Committee and Terms and Conditions of their Appointment and factors constituting failure to meet inflation target under the MPC Framework have also been notified on 27th June, 2016.

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