

**Government of India
Ministry of Finance**

PRESS BRIEF

Constitution of the Monetary Policy Committee under the Reserve Bank of India Act, 1934

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, for maintaining price stability, while keeping in mind the objective of growth. The Monetary Policy Committee would be entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level. A Committee-based approach for determining the Monetary Policy will add lot of value and transparency to monetary policy decisions. The meetings of the Monetary Policy Committee shall be held at least 4 times a year and it shall publish its decisions after each such meeting.

2. The provisions of the RBI Act relating to Monetary Policy have been brought into force through a Notification in the Gazette of India Extraordinary on 27.6.2016. The factors constituting failure to meet inflation target under the Monetary Policy Committee Framework have also been notified in the Gazette on 27.6.2016. The Government, in consultation with RBI, has notified the inflation target in the Gazette of India Extraordinary dated 5th August 2016 for the period beginning from the date of publication of this notification and ending on the March 31, 2021, as under:-

Inflation Target:	Four per cent.
Upper tolerance level:	Six per cent.
Lower tolerance level:	Two per cent.

3. As per the provisions of the RBI Act, out of the six Members of Monetary Policy Committee, three Members will be from the RBI and the other three Members of MPC will be appointed by the Central Government. In exercise of the powers conferred by section 45ZB of the Reserve Bank of India Act, 1934, the Central Government has accordingly constituted, through a Gazette Notification dated 29th Sept 2016, the Monetary Policy Committee of RBI, with the following composition, 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;
- (d) Shri Chetan Ghate, Professor, Indian Statistical Institute (ISI) —Member
- (e) Professor Pami Dua, Director, Delhi School of Economics (DSE) — Member
- (f) Dr. Ravindra H. Dholakia, Professor, Indian Institute of Management (IIM), Ahmedabad— Member

4. The Members of the Monetary Policy Committee appointed by the Central Government shall hold office for a period of four years, with immediate effect or until further orders, whichever is earlier.
