

## Raghuram Rajan talks about rupee internationalization and liberalisation

Dr. Raghuram Rajan, who is the 23rd Governor of the Reserve Bank of India today, has laid down roadmap on what the central bank will do to overcome the challenges the economy faces today.

Rajan said the central bank will emphasize two new traditions that become important in these times i.e. transparency and predictability. While announcing slew of reforms, Rajan said change is risky and no change is even more risky.

On rupee, Rajan said, 'This might be a strange time to talk about rupee internationalization, but we have to think beyond the next few months. As our trade expands, we will push for more settlement in rupees. This will also mean that we will have to open up our financial markets more for those who receive rupees to invest it back in. We intend to continue the path of steady liberalisation.'

While on capital inflows, Rajan said, 'The RBI wants to help our banks bring in safe money to fund our current account deficit. The Reserve Bank of India has been receiving requests from banks to consider a special concessional window for swapping FCNR deposits that will be mobilised following the recent relaxations permitted by the Reserve Bank of India. We will offer such a window to the banks to swap the fresh FCNR (B) dollar funds, mobilised for a minimum tenor of three years and over, at a fixed rate of 3.5% per annum for the tenor of the deposit.'

Further, Rajan said that the RBI has decided that the current overseas borrowing limit of 50% of the unimpaired Tier I capital will be raised to 100% and that the borrowings mobilised under this provision can be swapped with RBI at the option of the bank at a concessional rate of 100 basis points below the ongoing swap rate prevailing in the market.

The above schemes will be open up to November 30, 2013, which coincides with when the relaxations on NRI deposits expire.