

## **Finmin floats Cabinet note on monetary policy panel**

The finance ministry on Friday said it has moved a Cabinet note on setting up the Monetary Policy Committee (MPC), which will retain dominant role of the Reserve Bank of India (RBI) in the proposed interest- rate setting panel.

“The government has prepared a Cabinet note on MPC.

RBI is a very credible institution and nothing will be done in MPC composition that undermines the role of RBI,” said a senior finance ministry official.

The official did not elaborate on composition or voting rights of the RBI governor in the MPC, which will replace the current practice of the governor deciding on interest rate on advice of the technical advisory committee.

The revised draft of the Indian Financial Code, released by the ministry in July, had suggested doing away with the RBI governor’s veto power and proposed a 7- member MPC to take decisions by a majority vote. Of the seven members, four would be government nominees and the rest from RBI.

Under the current system, the RBI governor is appointed by the government, but controls monetary policy and has veto power over the existing advisory committee of RBI members and outside appointees that sets rates.

*(Business Standard)*