

CIVIL SERVICE DIGEST (CSD-Daily)

Dec 11, 2018

RBI Governor Urjit Patel resigned



- UNDERLINING the deepening trust deficit between the Reserve Bank of India and the central government, RBI Governor Urjit Patel resigned Monday, almost 10 months ahead of his term — ending the shortest tenure a central banker in India has had since 1992
- Citing “personal reasons”, Patel quit weeks after a fractious faceoff with the government. A nine-hour board meeting on November 19 had sent out a

conciliatory signal: it was agreed that the RBI would ease borrowing terms for SMEs; a panel, with RBI and Government nominees, would be set up to discuss use of the central bank's reserves; and RBI would review which banks could lend again.

- That's why Patel's announcement caught many including some of the board members of the RBI by surprise. Sources said that much before Section 7 (1) of the RBI Act was invoked — the first formal process of discussions with the Governor before the government issues a directive — Patel had indicated that he would step down if push came to shove.
- The next board meeting is scheduled for December 14. Sources said that meeting was expected to consider governance reforms within the RBI and formation of the committee to look into surplus reserves to the government. There were differences over who will head the committee and the terms of reference between the government and the RBI.
- **Patel, 55**, took over as the **24th Governor** on September 5, 2016, when he was chosen by the BJP-led government after his predecessor Raghuram Rajan was denied a second-term.
- “On account of personal reasons, I have decided to step down from my current position effective immediately,” Patel said in a brief statement.
- He thanked his RBI colleagues but avoided any reference to the government or the Finance Ministry.
- “It has been my privilege and honour to serve in the Reserve Bank of India in various capacities over the years. The support and hard work of RBI staff, officers and management has been the proximate driver of the bank's considerable accomplishments in recent year

- I take this opportunity to express gratitude to my colleagues and Directors of the RBI Central Board, and wish them all the best for the future,” he said.

Recent happening:

- On November 19, the government and the RBI pulled back from the brink. The RBI agreed to work out a loan restructuring scheme for SMEs for exposure of up to Rs 25 crore; decided to take part in a panel to work out the use of its reserves and also decide on how to ease lending norms to banks.
- Ahead of the November 19 meeting, efforts at top levels of the government to douse the fire appeared to have helped after the government invoked for the first time a provision in the RBI law — Section 7 — to open a formal discussion with the Governor amid speculation that he would consider quitting.
- Patel has served as Deputy Governor overseeing the monetary policy department at the RBI under Rajan and was known as his “inflation-warrior.”

HOW THE RBI-GOVT RIFT WIDENED

► **12 February:**

RBI discontinues all debt restructure schemes except for small and medium enterprises

► **14 February:**

Punjab National Bank informs stock exchanges of the Nirav Modi scam

► **20 February:**

Finance minister **Arun Jaitley** indirectly urges RBI to explore new systems to prevent frauds

► **18 April:**

RBI deputy governor N.S. Vishwanathan defends the 12 February circular and warns defaulters

► **19 October:**

RBI makes its dissent public on proposal for setting up an independent payment regulator

► **23 October:**

Differences between government and the RBI surface at the central bank's board meeting

► **26 October:**

RBI deputy governor **Viral Acharya** warns that governments not respecting central bank's independence incur wrath of financial markets and ignite economic fire

► **27 October:**

Finance minister Arun Jaitley asks if non-accountability can be ground for inaction



► **30 October:**

Meeting of Financial Stability and Development Council again brings to the fore the differences between RBI and government on liquidity crunch

► **31 October:**

It emerges that the government had threatened to invoke Section 7(1) of RBI Act that allows it to issue directions to the RBI. Finance ministry issues statement saying government will continue to make suggestions and indirectly blames RBI for leaking details of discussions

► **3 November:**

Economic affairs secretary Subhash Chandra Garg cites improvements in market indices, the rupee and crude to make light of Acharya's "wrath of markets" remarks

► **15 November:**

Independent director at the RBI **Swaminathan Gurumurthy** says RBI should ease regulations as small businesses are starved of funds

► **19 November:**

At a board meeting, RBI makes concessions on capital adequacy of banks but decides to refer to committees the issues of transfer of surplus reserve to government and easing of lending restrictions on weak banks



10 December

Urjit Patel resigns citing personal reasons

President Kovind to hold delegation level talks with Myanmar President U

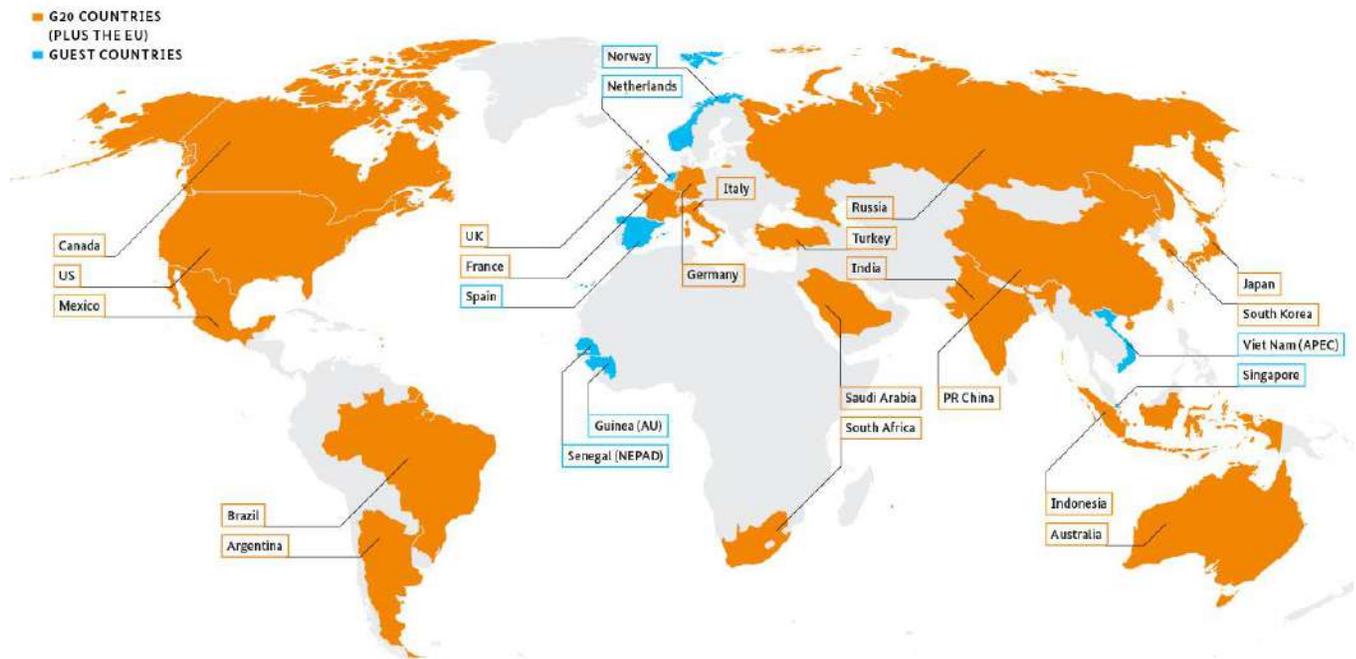
Win Myint in Nay Pyi Taw



- President Ram Nath Kovind will hold delegation level talks with Myanmar President U Win Myint in Nay Pyi Taw today. The President is on the 4-day official visit to Myanmar. He arrived state capital Nay Pyi Taw last night.
- India and Myanmar enjoy good political relations, depicted by several high-level visits in the last 18 months. Both countries have good cooperation in the region because Myanmar is a member of both ASEAN and BIMSTEC.
- Today, the official engagements will start with the ceremonial welcome of President Kovind, followed by delegation level talks with Myanmar President U Win Myint and then a meeting with the State Counsellor, Daw Aung San Suu Kyi.
- Talks will be held on a wide variety of issues ranging from connectivity, investment, people to people ties and agriculture. A Joint Statement will be adopted along with the signing of several agreements.
- In the evening, an official dinner will be hosted by the President of Myanmar and a small cultural performance will also be organised.

G20 summit

The G20 is an international forum which includes 19 of the world's largest economies and the European Union, representing 85% of global GDP, 80% of international trade, 65% of world's population. It is a forum for economic, financial and political cooperation. It addresses the major global challenges and



seeks to generate public policies that resolve them.

Its members include Australia, Argentina, Brazil, Canada, China, India, France, Germany, Indonesia, Italy, Japan, South Korea, Mexico, Saudi Arabia, Russia, Turkey, South Africa, UK, US and EU.

What does the G20 do?

The G20 invites its members, invited countries, international partner organizations and affinity groups to dialogue and build consensus to promote public **policies that solve the challenges facing humanity**. The G-20 is a forum, its agreements or decisions have no legal impact, but they do influence countries' policies and global cooperation.

Why was the G20 created?

The G20 was conceived in 1999, while the repercussions of the Asian financial crisis of 1997 still lasted. The committee's inaugural meeting took place in Berlin in December 1999.

In a meeting of finance ministers and presidents of central banks of the G7, it was decided to expand the group and make it more representative in order to generate policies that have an impact in the economy.

They decided to invite a group of key emerging economies to **a new forum of finance ministers and presidents of Central Banks, which would later become the G20.**

With the start of the global financial crisis of 2008, the G20 became the main instrument to face the debacle. And for that it was essential to involve the highest-ranking officials. **Thereafter, presidents and heads of state joined the G20.**

Two working channels of G20

The flow of these meetings is channelled through two channels: the Finance Channel, headed by the **Ministry of Finance and the Central Bank**, and the Sherpas Channel, coordinated by the **Chief of Cabinet of Ministers** and of which ministries from different areas participate.

What topics does the 'Group of 20' address?

The Group of 20 deals with a broad theme.

- While economic and financial issues tend to lead the agenda, other areas have gained momentum.
- Traditional topics include the global economy, financial markets, fiscal affairs, trade, agriculture, employment, energy and the fight against corruption.
- Other recent additions include participation of women in the labor market, sustainable development, global health, fight against terrorism and inclusive ventures, among others.

Where is the G20 headquarters?

The G20 does **not have permanent offices or employees**. The country that presides over the group (in an year) takes care of all the organization and the logistical coordination of the meetings.

Which Regional Organisations and International Organisations partner with G20?



G20 summit, Buenos Aires, Argentina

13th meeting of Group of Twenty (G20) and the first G20 summit hosted in



The G20 2018 will focus on the **future of work**, which implies thinking about an education that provides – equal opportunities, infrastructure for development, and a sustainable food future.

India presented a nine-point agenda to the G20 countries calling for strong and active cooperation among them to comprehensively deal with fugitive economic offenders.



JAI Trilateral Meet

- India held its first trilateral meeting with US and Japan, Modi; named partnership as ‘JAI’.
- “JAI” (Hindi for success or victory) – name for the triumvirate of Japan, America (the United States) and India.
- Leaders of JAI exchanged views on Indo Pacific, maritime and connectivity issues.

- The three leaders reaffirmed the importance of the Free and Open Indo-Pacific vision for global stability and prosperity, and pledged to deepen trilateral cooperation.



Russia-India-China ‘RIC’ Trilateral Summit

- The second Russia-India-China ‘RIC’ Trilateral Summit took place in Buenos Aires after a gap of 12 years.
- The leaders discussed cooperation and coordination in various areas which could contribute to global peace and stability.
- India has emerged common factor in two G-20 trilaterals

How is the country that exercises the presidency of the G20 appointed?

The president is chosen by a rotation system. For this, the 19 member states of the G20 (the 20th member, which is the European Union, is not part of a group of countries) are divided into five groups, consisting of a maximum of four states:

- Group 1: Australia, Canada, United States, Saudi Arabia.

- Group 2: India, Russia, South Africa, Turkey.
- Group 3: Argentina, Brazil, Mexico.
- Group 4: France, Germany, Italy, United Kingdom.
- Group 5: China, Indonesia, Japan, South Korea.

Counting the last edition of Germany, 11 of the 19 member countries of the forum presided over it.

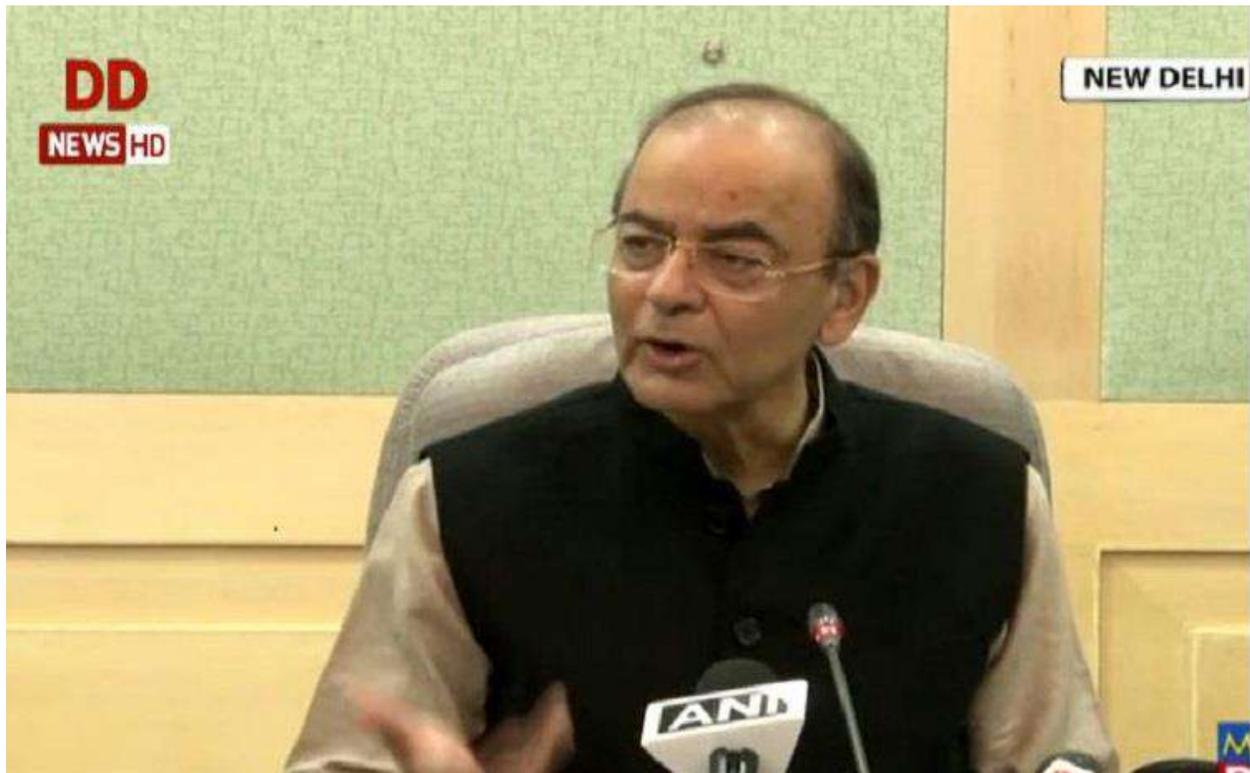
Who will be the next G20 president after Argentina?

- Japan will chair the G20 in 2019.
- Saudi Arabia will chair the G20 in 2020.
- Italy will chair the G20 in 2021.
- India will chair the G20 in 2022.

India to host G20 summit in 2022

For the first time, India will host the annual G20 summit in 2022, when the country celebrates its 75th anniversary of Independence. It was announced by Prime Minister Narendra Modi during ongoing G20 meet of international grouping in Buenos Aires, capital of Argentina. This comes after Italy accepted India's formal request to host this summit in 2021 as earlier it was going to host it in 2022.

Govt contribution to NPS raised to 14 per cent



- Finance Minister has said Cabinet had decided to make some changes in National Pension Scheme, NPS on 6th of this month.
- Central Government contribution will be raised to 14 per cent from existing 10 per cent in NPS.
- The tax exemption limit for lump sum withdrawal on exit has been enhanced to 60 per cent.
- With this, the entire withdrawal will now be exempted from income tax.

Freedom of choice will be provided for selection of Pension Funds and pattern of investment to central government employees.

- Government employees contribution under Tier-II of NPS will now be covered under Section 80 C for deduction up to 1.50 lakh rupees for the purpose of income tax at par with the other schemes such as General Provident Fund, Contributory Provident Fund, Employees Provident Fund and Public Provident Fund provided that there is a lock-in period of 3 years.