

XI

THE RESERVE BANK'S ACCOUNTS FOR 2014-15

The balance sheet size of the Reserve Bank increased by 10.09 per cent for the year ended June 30, 2015 primarily due to increase in foreign currency assets on the asset side which rose by 21.50 per cent and increase in notes in circulation and deposits which rose by 9.57 per cent and 37.60 per cent respectively on the liability side. While gross income for the year 2014-15 increased sharply by 22.66 per cent, the total expenditure increased by 11.92 per cent. The year ended with an overall surplus of ₹658.96 billion as against ₹526.79 billion in the previous year, representing an increase of 25.09 per cent.

XI.1 The balance sheet of the Reserve Bank is largely a reflection of the activities carried out in pursuance of its currency issue function as well as monetary policy and reserve management objectives. The key financial results of the Reserve Bank's operations during the year 2014-15 along with comments are set out in the following paragraphs.

XI.2 The year 2014-15 witnessed an overall increase in the size of the balance sheet by ₹2,647.92 billion, i.e., 10.09 per cent from ₹26,243.67 billion as on June 30, 2014 to ₹28,891.59 billion as on June 30, 2015. The increase on the asset side was mainly due to increase in Foreign Currency Assets (FCA). The increase on the liability side was mainly due to a rise in notes in circulation and deposits. As on June 30, 2015 domestic assets (including gold) constituted 26.07 per cent while the FCA constituted 73.93 per cent of total assets as against 33.0 per cent and 67.0 per cent, respectively as on June 30, 2014.

XI.3 As in the previous year, no amount has been transferred to the Contingency Fund. An amount of ₹10.00 billion has been provided for and transferred to the Asset Development Fund specifically towards capital contribution to the National Housing Bank (NHB) and the surplus of ₹658.96 billion has been transferred to the Central Government. The balances in the Contingency Fund and the Asset

Development Fund and the surplus transferred to the Central Government during the last five years have been given in Tables XI.1 & XI.2 respectively.

XI.4 For better comparability and transparency, the Reserve Bank has been progressively moving towards greater disclosures in its financial statements. A Technical Committee constituted in 2012-13 to review the Form of Presentation of the Balance Sheet and Profit & Loss Account [Chairman: Shri Y.H. Malegam (Technical Committee I)] had made several recommendations relating to the format and contents of the Balance Sheet and Profit & Loss Account of the Reserve Bank and also to change the nomenclature of the Profit and Loss Account to Income Statement. Further, the

Table XI.1: Balances in Contingency Fund (CF) and Asset Development Fund (ADF)

(₹ billion)				
As on June 30	Balance in CF	Balance in ADF	Total	CF and ADF as percentage to total assets
1	2	3	4=(2+3)	5
2011	1707.28	158.66	1865.94	10.3
2012	1954.05	182.14	2136.19	9.7
2013	2216.52	207.61	2424.13	10.1
2014	2216.52	207.61	2424.13	9.2
2015	2216.14*	217.61	2433.75	8.4

* The decline in the CF is due to adjustment of the debit balance in the FCVA on account of MTM loss on forward contracts on June 30, 2015.

Table XI.2:Trends in Gross Income, Expenditure and Net Disposable Income

(₹ billion)

Item	2010-11	2011-12	2012-13	2013-14	2014-15
1	2	3	4	5	6
a) Gross Income	370.70	531.76	743.58	646.17	792.56
b) Transfers to Internal Reserves (i+ii)	134.02	270.25	287.94	0.00	0.00
(i) Contingency Fund	121.67	246.77	262.47	0.00	0.00
(ii) Asset Development Fund@	12.35	23.48	25.47	0.00	0.00
c) Net Income (a-b)	236.68	261.51	455.63	646.17	792.56
d) Total Expenditure	86.55	101.37	125.49	119.34	133.56
e) Net Disposable Income (c-d)	150.13	160.14	330.14	526.83	659.00
f) Transfer to funds*	0.04	0.04	0.04	0.04	0.04
g) Surplus transferred to the Government (e-f)	150.09	160.10	330.10	526.79	658.96
Transfer of Surplus to Government as per cent of Gross Income less Total Expenditure	52.8	37.2	53.4	99.99	99.99

*: An amount of ₹10 million each has been transferred to the National Industrial Credit (Long Term Operations) Fund, the National Rural Credit (Long Term Operation) Fund, the National Rural Credit (Stabilisation) Fund and the National Housing Credit (Long Term Operations) Fund during each of the five years.

@For 2014-15 not shown as it is included in total expenditure.

Committee had also recommended a few changes in the accounting policy. The Board of the Reserve Bank has accepted these recommendations for implementation. In order to effect the change relating to the format and contents of the Balance Sheet and Profit and Loss Account, Government of India has notified the format of weekly accounts of the Bank on July 15, 2015 in the Gazette of India and amendments in relevant sections of RBI General Regulations, 1949 have been notified by the Bank on July 6 and July 15, 2015 in the Gazette of India for changes in the format of the Balance Sheet and Profit and Loss Account of the Bank. Accordingly, the accounts of the Bank for the year 2014-15 have been drawn up in the new format.

XI.5 The major changes in the format and contents of the Balance Sheet and the Profit and Loss account are as under:

- Balance Sheets of Issue and Banking Departments have been merged and each item of asset and liability is shown as line items supported by schedules.
- 'Gold Coin and Bullion' which earlier formed part of 'Other Assets', and 'Investment in

Subsidiaries and Associates', which formed part of 'Investments' in the Banking Department balance sheet, are now shown as distinct balance sheet heads.

- The Profit and Loss Account has been renamed as 'Income Statement' and the income head has been bifurcated into two major sub heads *viz.* 'Interest' and 'Others' supported by schedules.
- A new head 'Provisions' has been added under expenditure for accounting of transfers to the Contingency Fund (CF) and the Asset Development Fund (ADF).
- The unit of reporting has been changed from 'Rupee Thousands' to 'Rupee billions'.

XI.6 For better readability and presentation, investments have been bifurcated into four major categories. 'Balances Held Abroad' and 'Investments' held as part of Banking Department balance sheet are shown as 'Investments-Foreign-BD' and 'Investments- Domestic-BD', respectively. 'Foreign Securities' and 'Gol Rupee Securities' forming part of 'Issue Department Assets' have been shown as 'Investments- Foreign-ID' and 'Investments-

Domestic-ID' respectively. Contingency Reserve and Asset Development Reserve have been renamed as 'Contingency Fund' and 'Asset Development Fund'.

XI.7 Based on the recommendations made by the Technical Committee I certain changes in accounting policies were also effected in 2014-15. Repo and Reverse Repo transactions, were earlier treated as purchase and sale of securities. As the substance of the transaction is lending and deposit of funds and securities only represent the collateral for the transaction, Repo under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) is now being treated as lending and Reverse Repo being treated as deposit of funds with RBI. The Technical Committee I had also recommended that rupee securities be carried at fair value and any unrealised gain or loss may be transferred to the Investment Revaluation Account (IRA). This will be implemented in 2015-16.

XI.8 Another Technical Committee [Chairman: Shri Y.H.Malegam (Technical Committee II)] was constituted during 2013-14 to review the Level and

Adequacy of Internal Reserves and Surplus Distribution Policy of the Reserve Bank of India. Based on the recommendations of the Technical Committee II, the forward contracts entered into by the Bank as part of its intervention operations are being marked to market on yearly basis as on the balance sheet date from the year 2013-14. Further, as against the earlier policy of ignoring gain and accounting for loss only, now both gain or loss are accounted for.

XI.9 The other major recommendations of the Technical Committee II, which will be implemented in 2015-16 are: (i) change in the method of revaluation of the rupee securities from Lower of Book or Market Value (LOBOM) to fair valuation, and (ii) bifurcation of Currency and Gold Revaluation Account (CGRA) into Gold Revaluation Account (GRA) and Foreign Currency Revaluation Account (FCRA).

XI.10 The Balance Sheet and the Income Statement prepared for the year 2014-15 in the new formats along with the schedules, statement of significant accounting policies and supporting notes to the accounts are furnished below:

**RESERVE BANK OF INDIA
BALANCE SHEET AS ON JUNE 30, 2015**

(Amount in ₹ billion)

Liabilities	Schedules	2013-14	2014-15	Assets	Schedules	2013-14	2014-15
Capital		0.05	0.05	Assets of Banking Department (BD)			
Reserve Fund		65.00	65.00	Notes, rupee coin, small coin	5	0.11	0.11
Other Reserves	1	2.20	2.22	Gold Coin and Bullion	6	590.24	578.84
Deposits	2	3769.45	5186.86	Investments-Foreign-BD	7	4,796.21	7,276.29
Other Liabilities and Provisions	3	8961.70	8905.03	Investments-Domestic-BD	8	6,684.68	5,174.97
				Bills Purchased and Discounted		0.00	0.00
				Loans and Advances	9	370.83	802.32
				Investment in Subsidiaries	10	13.20	13.20
				Other Assets	11	343.13	313.43
Liabilities of Issue Department				Assets of Issue Department (ID)			
Notes issued	4	13,445.27	14,732.43	Gold Coin and Bullion (as backing for Note issue)	6	649.78	637.23
				Rupee coin		1.72	1.99
				Investment-Foreign-ID	7	12,783.31	14,082.75
				Investment-Domestic-ID	8	10.46	10.46
				Domestic Bills of Exchange and other Commercial Papers		0.00	0.00
Total Liabilities		26,243.67	28,891.59	Total Assets		26,243.67	28,891.59

**RESERVE BANK OF INDIA
INCOME STATEMENT FOR THE YEAR ENDED JUNE 2015**

(Amount in ₹ billion)

INCOME	Schedules	2013-14	2014-15
Interest	12	636.88	744.82
Others	13	9.29	47.74
Total		646.17	792.56
EXPENDITURE			
Printing of Notes		32.14	37.62
Expense on Remittance of Currency		0.71	0.98
Agency Charges	14	33.25	30.45
Interest		0.04	0.01
Employee Cost		43.24	40.58
Postage and Telecommunication Charges		0.84	0.91
Printing and Stationery		0.21	0.34
Rent, Taxes, Insurance, Lighting, etc.		1.22	1.14
Repairs and Maintenance		1.04	1.04
Directors' and Local Board Members' Fees and Expenses		0.03	0.03
Auditors' Fees and Expenses		0.02	0.03
Law Charges		0.05	0.04
Miscellaneous Expenses		4.93	7.97
Depreciation		1.62	2.42
Provisions		0.00	10.00
Total		119.34	133.56
Available Balance		526.83	659.00
Less:			
a) Contribution to:			
i) National Industrial Credit (Long Term Operations) Fund		0.01	0.01
ii) National Housing Credit (Long Term Operations) Fund		0.01	0.01
b) Transferable to NABARD:			
i) National Rural Credit (Long Term Operations) Fund ¹		0.01	0.01
ii) National Rural Credit (Stabilisation) Fund ¹		0.01	0.01
Surplus payable to the Central Government		526.79	658.96

¹ These funds are maintained by the National Bank for Agriculture and Rural Development (NABARD).

Madhumita S. Deb
Chief General Manager

S. S. Mundra
Deputy Governor

R. Gandhi
Deputy Governor

Urjit R. Patel
Deputy Governor

Harun R. Khan
Deputy Governor

Raghuram G. Rajan
Governor

SCHEDULES FORMING PART OF BALANCE SHEET AND INCOME STATEMENT

(Amount in ₹ billion)

		2013-14	2014-15
Schedule 1:	Other Reserves		
	(i) National Industrial Credit (Long Term Operations) Fund	0.23	0.24
	(ii) National Housing Credit (Long Term Operations) Fund	1.97	1.98
	Total	2.20	2.22
Schedule 2:	Deposits		
	(a) Government		
	(i) Central Government	1.00	1.01
	(ii) State Governments	0.42	0.43
	Sub total	1.42	1.44
	(b) Banks		
	(i) Scheduled Commercial Banks	3,469.16	3,711.94
	(ii) Scheduled State Co-operative Banks	37.29	32.22
	(iii) Other Scheduled Co-operative Banks	63.31	69.97
	(iv) Non-Scheduled Co-operative Banks	4.81	10.71
	(v) Other Banks (RRB, LDB, etc)	102.67	122.01
	Sub total	3,677.24	3,946.85
	(c) Others		
	(i) Administrators of RBI Employee PF A/c	38.62	40.75
	(ii) Depositors' Education and Awareness Fund	27.95	78.75
	(iii) Balances of Foreign Central Banks	10.13	14.71
	(iv) Balances of Indian Financial Institutions	2.53	4.33
	(v) Balances of International Financial Institutions	1.43	1.45
	(vi) Mutual Fund	0.01	0.01
	(vii) Others	10.12	1098.57
	Sub total	90.79	1,238.57
	Total	3,769.45	5,186.86
Schedule 3:	Other Liabilities and Provisions		
	(i) Gratuity and Superannuation Fund	123.10	140.05
	(ii) Contingency Fund (CF)	2,216.52	2,216.14
	(iii) Asset Development Fund (ADF)	207.61	217.61
	(iv) Currency and Gold Revaluation Account (CGRA)	5,721.63	5,591.93
	(v) Investment Revaluation Account (IRA)	37.91	32.14
	(vi) Foreign Exchange Forward Contracts Valuation Account (FCVA)	42.98	0.00
	(vii) Provision for Forward Contracts Valuation Account (PFCVA)	0.00	0.39
	(viii) Provision for Payables	16.55	16.81
	(ix) Surplus Transferable to the Government of India	526.79	658.96
	(x) Bills Payable	0.37	0.17
	(xi) Miscellaneous	68.24	30.83
	Total	8,961.70	8,905.03
Schedule 4:	Notes Issued		
	(i) Notes held in the Banking Department	0.11	0.11
	(ii) Notes in Circulation	13,445.16	14,732.32
	Total	13,445.27	14,732.43

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		2013-14	2014-15
Schedule 5:	Notes, Rupee Coin, Small Coin (with RBI)		
	(i) Notes	0.11	0.11
	(ii) Rupee coin	0.00	0.00
	(iii) Small coin	0.00	0.00
	Total	0.11	0.11
Schedule 6:	Gold Coin and Bullion		
	(i) Banking Department	590.24	578.84
	(ii) Issue Department (as backing for Note issue)	649.78	637.23
	Total	1,240.02	1,216.07
Schedule 7	Foreign Currency Assets		
	(i) Investments - Foreign - BD	4,796.21	7,276.29
	(ii) Investments - Foreign - ID	12,783.31	14,082.75
	Total	17,579.52	21,359.04
Schedule 8:	Investments-Domestic		
	(i) Investments - Domestic -BD	6,684.68	5,174.97
	(ii) Investments - Domestic - ID	10.46	10.46
	Total	6,695.14	5,185.43
Schedule 9:	Loans and Advances		
	(A) Loans and Advances to :		
	(i) Central Government	0.00	0.00
	(ii) State Governments	6.66	25.77
	Sub total	6.66	25.77
	(B) Loans and Advances to:		
	(i) Scheduled Commercial Banks	294.17	732.03
	(ii) Scheduled State Co-operative Banks	0.00	0.00
	(iii) Other Scheduled Co-operative Banks	1.34	0.45
	(iv) Non-Scheduled State Co-operative Banks	0.00	0.00
	(v) NABARD	0.00	0.00
	(vi) Others	68.66	44.07
	Sub total	364.17	776.55
	(C) Loans, Advances and Investments from National Industrial Credit (Long Term Operations) Fund:		
	(a) Loans and Advances to:		
	(i) Industrial Development Bank of India	0.00	0.00
	(ii) Export Import Bank of India	0.00	0.00
	(iii) Industrial Investment Bank of India Ltd.	0.00	0.00
	(iv) Others	0.00	0.00
	(b) Investments in bonds/ debentures issued by:		
	(i) Industrial Development Bank of India	0.00	0.00
	(ii) Export Import Bank of India	0.00	0.00
	(iii) Industrial Investment Bank of India Ltd.	0.00	0.00
	(iv) Others	0.00	0.00
	Sub total	0.00	0.00
	(D) Loans, Advances and Investments from National Industrial Credit (Long Term Operations) Fund:		
	(a) Loans and Advances to National Housing Bank	0.00	0.00
	(b) Investments in bonds/debentures issued by National Housing Bank	0.00	0.00
	Sub total	0.00	0.00
	Total	370.83	802.32

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		2013-14	2014-15
Schedule 10:	Investment in subsidiaries (i) Deposit Insurance and Credit Guarantee Corporation (ii) National Housing Bank (iii) National Bank for Agriculture and Rural Development (iv) Bhartiya Reserve Bank Note Mudran (P) Ltd Total	0.50 4.50 0.20 8.00 13.20	0.50 4.50 0.20 8.00 13.20
Schedule 11:	Other Assets (i) Fixed Assets (net of accumulated depreciation) (ii) Accrued income (a + b) a. on loans to employees b. on other items (iii) Swap Amortisation Account (iv) Revaluation of Forward Contracts Account (RFCA) (v) Miscellaneous Total	5.22 225.90 3.09 222.81 59.30 42.85 9.86 343.13	3.92 206.26 3.16 203.10 94.33 0.00 8.92 313.43
Schedule 12:	Interest (i) Domestic Sources a. Interest on holding of Domestic Securities b. Net Interest on LAF Operations c. Interest on MSF Operations d. Profit on Sale of Domestic Securities e. Depreciation f. Interest on Loans and Advances (ii) Foreign Sources a. Interest on holding of Foreign Securities Total	470.53 59.02 17.45 331.37 (-)480.45 37.46 201.50 636.88	436.30 28.29 1.88 139.15 (-)98.28 14.06 223.42 744.82
Schedule 13:	Income-Others (i) Discount from foreign assets (ii) Exchange from Foreign Exchange Transactions (iii) Commission (iv) Rent Realised (v) Profit/loss on sale of Bank's property (vi) Provision no longer required Total	6.81 (-)10.61 12.57 0.05 0.01 0.46 9.29	4.40 29.62 13.38 0.05 0.02 0.27 47.74
Schedule 14:	Agency Charges (i) Agency Commission on Government Transactions (ii) Underwriting Commission paid to the Primary Dealers (iii) Sundries (Handling charges paid to banks for Relief/Savings Bonds subscriptions) (iv) Fees paid to the External Asset Managers, Custodians, etc. Total	27.81 4.81 0.00 0.63 33.25	29.63 0.33 0.00 0.49 30.45

INDEPENDENT AUDITORS' REPORT

TO THE PRESIDENT OF INDIA

Report on the Financial Statements

We, the undersigned Auditors of the Reserve Bank of India (hereinafter referred to as the "Bank"), do hereby report to the Central Government upon the Balance Sheet of the Bank as at June 30, 2015 and the Income Statement for the year ended on that date (hereinafter referred to as "financial statements"), which have been audited by us.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and correct view of the state of affairs and results of operations of the Bank in accordance with the requirements of the provisions of the Reserve Bank of India Act, 1934 and Regulations framed thereunder and the accounting policies and practices followed by the Bank. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and correct view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Bank's preparation and correct presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to explanations given to us and as shown by the books of account of the Bank, the Balance Sheet read with Significant Accounting Policies is a full and fair Balance Sheet containing all necessary particulars and is properly drawn up in accordance with the requirements of the provisions of the Reserve Bank of India Act, 1934 and Regulations framed there under so as to exhibit true and correct view of the state of affairs of the Bank.

Other Matters

We report that we have called for information and explanation from the Bank which was necessary for the purpose of our audit and such information and explanation have been given to our satisfaction.

We also report that the financial statements include the accounts of nineteen accounting units of the Bank which have been audited by Statutory Branch Auditors and we have relied on their report in this regard.

For Haribhakti & Co. LLP
Chartered Accountants
(ICAI Firm Registration No. 103523W)

Rakesh Rathi
Partner
Membership No. 045228

For CNK & Associates LLP
Chartered Accountants
(ICAI Firm Registration No. 101961W)

Manish Sampat
Partner
Membership No. 101684

Place: Mumbai

Date: August 13, 2015

**STATEMENT OF SIGNIFICANT ACCOUNTING
POLICIES FOR THE YEAR ENDED
JUNE 30, 2015**

1. General

1.1 The Reserve Bank of India was established under the Reserve Bank of India Act, 1934 (the Act) “to regulate the issues of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage”.

1.2 The main functions of the Bank are:-

- a) Issue of Bank notes.
- b) Management of the monetary system.
- c) Regulation and supervision of banks and Non –Banking Finance Companies (NBFCs).
- d) Acting as the lender of last resort.
- e) Regulation and supervision of the Payment and Settlement Systems.
- f) Maintaining and managing the country’s foreign exchange reserves.
- g) Acting as the banker to banks and the Governments
- h) Acting as the debt manager of the Governments.
- i) Regulation and development of foreign exchange market.
- j) Developmental functions including in the areas of rural credit and financial inclusion.

1.3 The Act requires that the issue of Bank notes should be conducted by the Bank in the Issue Department which shall be separate and kept wholly distinct from the Banking Department and the assets of the Issue Department shall not be subject to any liability other than the liabilities of the

Issue Department. The Act requires that the assets of the Issue Department shall consist of gold coins, gold bullion, foreign securities, rupee coins and rupee securities to such aggregate amount as is not less than the total of the liabilities of the Issue Department. The Act requires that the liabilities of the Issue Department shall be an amount equal to the total of the amount of the currency notes of the Government of India and Bank notes for the time being in circulation.

2. Significant Accounting Policies

2.1 Convention

The financial statements are prepared in accordance with the Reserve Bank of India Act, 1934 and the notifications issued thereunder and in the form prescribed by the Reserve Bank of India General Regulations, 1949. These are based on historical cost except where it is modified to reflect revaluation. The accounting policies followed in preparing the financial statements are consistent with those followed in the previous year unless otherwise stated.

2.2 Revenue Recognition

- (a) Income and expenditure are recognised on accrual basis except penal interest which is accounted for only when there is certainty of realisation. Policy on dividend income on shares has been revised during the year and is now recognised on accrual basis when the right to receive the same is established as against the earlier policy of recognising it on cash basis.
- (b) Balances unclaimed and outstanding for more than three clear consecutive years in certain transit accounts including Drafts Payable Account, Payment Orders Account, Sundry Deposits Account, Remittance Clearance Account and Earnest Money Deposit Account are reviewed and written back to income.

Claims, if any, are considered and charged against income in the year of payment.

- (c) Income and expenditure in foreign currency are recorded at the exchange rates prevailing on the last business day of the week/month/year as applicable.

2.3 Gold & Foreign Currency Assets and Liabilities

Transactions in gold and foreign currency assets are accounted for on settlement date basis.

(a) Gold

Gold is revalued on the last business day of the month at 90 per cent of the daily average price quoted by the London Bullion Market Association (LBMA) for the month. The rupee equivalent is determined on the basis of the exchange rate prevailing on the last business day of the month. Unrealised gains/ losses are credited/debited to the Currency and Gold Revaluation Account (CGRA).

(b) Foreign Currency Assets and Liabilities

All foreign currency assets and liabilities (excluding foreign currency received under the swaps that are in the nature of repos and contracts where the rates are fixed contractually) are translated at the exchange rates prevailing on the last business day of the week/month/year as applicable. Gains and losses arising from such translation of foreign currency assets and liabilities are accounted for in CGRA and remain adjusted therein. Foreign securities other than Treasury Bills, Commercial Papers, and certain "held to maturity" securities (such as investments in notes issued by the International Monetary Fund and bonds issued by India Infrastructure Finance Company (IIFC), UK) which are valued at cost, are marked to market as on the last business day of each month. Appreciation or depreciation is recorded in the Investment Revaluation

Account (IRA). Credit balance is carried forward to the subsequent year. Debit balance, if any, at the end of the year in IRA is required to be charged to the Contingency Fund and the same is to be reversed to the credit of the Contingency Fund on the first working day of the succeeding financial year. Till 2013 -14, the policy was to charge such debit balance in the IRA to the Profit and Loss Account. Foreign Treasury Bills and Commercial Papers are carried at cost as adjusted by amortisation of discount. Premium or discount on foreign securities is amortised daily. Profit/loss on sale of foreign currency assets is recognised with respect to the book value. On sale/redemption of foreign dated securities valuation gain/loss in respect of the securities sold, lying in IRA, is transferred to the Income account.

(c) Forward/Swap Contracts

Forward contracts entered into by the Reserve Bank as part of its intervention operations are revalued on a yearly basis on June 30. While the marked to market gain is credited to the 'Foreign Exchange Forward Contracts Valuation Account' (FCVA) with contra debit to Revaluation of Forward Contracts Account (RFCA), marked to market loss is debited to the FCVA with contra credit to the Provision for Forward Contracts Valuation Account (PFCVA). Debit balance in FCVA, if any, on June 30, is required to be charged to the Contingency Fund and reversed on the first working day of the following year. On maturity of the contract, the actual gain or loss is required to be recognised in the Income Account and the unrealised gains/losses previously recorded in the FCVA, RFCA and PFCVA are required to be reversed. The balance in the RFCA and PFCVA represent the net unrealised gains and losses on valuation of such forward contracts respectively.

In the case of swaps entered at off-market rates that are in the nature of repo, the difference between the future contract rate and the rate at which the contract is entered into is amortised over the period of the contract and recorded in the Income Account with contra entry in the Swap Amortisation Account (SAA). The amounts recorded in the SAA are reversed on maturity of the underlying contracts. Further, the amounts received under these swaps are not subject to periodic revaluation.

While FCVA and PFCVA form part of 'Other Liabilities', RFCVA and SAA form part of 'Other Assets'.

2.4 Domestic Investments

(a) Rupee Securities

Rupee securities, held as part of Bank's domestic investments, are valued at lower of book value or market value (LOBOM). Where the market price for such securities is not available, the rates are derived based on the yield curve prevailing on the last business day of the month as notified by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Depreciation, if any, is adjusted against current year's interest income. Non-interest bearing rupee securities held as backing for note issue and securities which are earmarked against funds, such as, Gratuity and Superannuation, Provident Fund, Leave Encashment, Medical Assistance Fund, and Depositors' Education and Awareness (DEA) Fund are, however, categorised as held to maturity (HTM) and therefore not marked to market.

(b) Treasury Bills

Treasury bills are valued at cost.

(c) Shares

Investments in shares are valued at cost.

2.5 Liquidity Adjustment Facility (LAF) Repo/ Reverse Repo and Marginal Standing Facility (MSF)

From the year 2014-15 onwards Repo under LAF and Marginal Standing Facility (MSF) is being treated as lending and is being shown under 'Loans and Advances' whereas 'Reverse Repo' is being treated as deposits and is being shown under 'Deposit-Others'. Till last year, Repo under LAF and MSF were being accounted for as purchase of rupee securities and Reverse Repo as sale of rupee securities.

2.6 Fixed Assets

- Fixed Assets are stated at cost less depreciation.
- Depreciation on computers, microprocessors, software (costing ₹0.1 million and above), motor vehicles, furniture, *etc.* is provided on straight-line basis at the following rates.

Asset Category	Rate of Depreciation
Motor vehicles, Furniture, <i>etc.</i>	20 per cent
Computers, Microprocessors, Software, <i>etc.</i>	33.33 per cent

- Amortisation of premium on leasehold land and depreciation on building is provided on written-down value basis at the following rates.

Asset Category	Rate of Depreciation/ Amortisation
Leasehold Land and Building(s) constructed thereon	Proportionate to lease period but not less than 5 per cent
Building(s) constructed on Freehold Land	10 per cent

- Fixed Assets, costing less than ₹0.1 million (except easily portable electronic assets) are charged to income in the year of acquisition. Easily portable electronic assets, such as laptops, *etc.* costing more than ₹10,000 are capitalised and depreciation is calculated at applicable rates.

- e. Individual items of computer software costing ₹0.1 million and above are capitalised and depreciation is calculated at the applicable rates.
- f. Depreciation is provided on year-end balances of the Fixed Assets.
- g. For assessment of impairment/ re-statement of carrying value, buildings are classified into two categories as under:
- (i) *Buildings which are in use but have been identified for demolition in future/will be discarded in future:* The value in use of such buildings is the aggregate of depreciation for the future period up to the date it is expected to be discarded/ demolished. The difference between the book value and aggregate of depreciation so arrived at is required to be charged as depreciation.
- (ii) *Buildings which have been discarded/ vacated:* These buildings are to be shown at realisable value (net selling price, if the asset is likely to be sold in future) / scrap value less demolition cost (if it is to be demolished). If the amount is negative, then the carrying value of such buildings has to be shown at ₹1. The difference between the book value and realisable value (*i.e.*, the net selling price) / scrap value less demolition cost is required to be charged as depreciation. The asset is required to be shown under the head "Other assets" - "Miscellaneous".

2.7 Employee Benefits

The liability on account of long term employee benefits is provided based on an actuarial valuation under the 'Projected Unit Credit' method.

NOTES TO THE ACCOUNTS

XI.11 Liabilities and Assets of the Bank

XI.11.1 LIABILITIES

i) Capital

The Reserve Bank was constituted as a private shareholders' bank in 1935 with an initial paid-up capital of ₹0.05 billion. The Bank was nationalised with effect from January 1, 1949 and its entire ownership remains vested in the Government of India. The paid-up capital continues to be ₹0.05 billion as per section 4 of the Reserve Bank of India Act, 1934.

ii) Reserve Fund

The original Reserve Fund of ₹0.05 billion was created in terms of section 46 of the Reserve Bank of India Act, 1934 as contribution from the Central Government for the currency liability of the then sovereign government taken over by the Reserve Bank. Thereafter, an amount of ₹64.95 billion was credited to this Fund from out of gains on periodic revaluation of gold up to October 1990, taking it to ₹65 billion. The fund has been static since then and gain/loss on account of valuation of gold and foreign currency is booked in the Currency and Gold Revaluation Account (CGRA) which is part of the balance sheet head 'Other Liabilities' and provisions.

iii) Other Reserves

This includes National Industrial Credit (Long Term Operations) Fund and National Housing Credit (Long Term Operations) Fund.

a. National Industrial Credit (Long Term Operations) Fund

This fund was created in July 1964, under section 46C of the Reserve Bank of India Act, 1934 with an initial corpus of ₹100

million. The fund witnessed annual contributions from the Reserve Bank for financial assistance to eligible financial institutions. Since 1992-93, a token amount of ₹10 million is being contributed each year to the Fund from the Bank's income. The balance in the fund stood at ₹0.24 billion as on June 30, 2015.

b. National Housing Credit (Long Term Operations) Fund

This fund was set up in January 1989 under section 46D of the Reserve Bank of India Act, 1934 for extending financial accommodation to the National Housing Bank. The initial corpus of ₹500 million has been enhanced by annual contributions from the Reserve Bank thereafter. From the year 1992-93, only a token amount of ₹10 million is contributed each year from the Bank's income. The balance in the fund stood at ₹1.98 billion as on June 30, 2015.

c. Contribution to other Funds

There are two other Funds constituted under section 46A of the Reserve Bank of India Act, 1934 viz., National Rural Credit (Long Term Operations) Fund and National Rural Credit (Stabilisation) Fund which are maintained by the National Bank for Agriculture and Rural Development (NABARD) for which a token amount of ₹10 million each is transferred to NABARD every year.

iv) Deposits

These represent the balances maintained with the Reserve Bank by banks, the Central and State Governments, All India Financial Institutions, such as, Export Import Bank of India (EXIM Bank) and NABARD, Foreign

Central Banks, International Financial Institutions, balance in different accounts relating to the Employees' Provident Fund, and balance in the Depositors' Education and Awareness Fund (DEA Fund). DEA Fund was created in the year 2013-14 for promotion of depositors' interest and for such other related purposes. Total deposits stood at ₹5,186.86 billion as on June 30, 2015 as compared with ₹3,769.45 billion as on June 30, 2014, registering an increase of 37.60 per cent.

a. Deposits – Government

The Reserve Bank acts as banker to the central government in terms of sections 20 and 21 and as banker to the state governments by mutual agreement in terms of section 21(A) of the Reserve Bank of India Act, 1934. Accordingly, the central and the state governments maintain deposits with the Reserve Bank. The balances held by the central and state governments were ₹1.01 billion and ₹0.43 billion respectively as on June 30, 2015, totalling ₹1.44 billion.

b. Deposits – Banks

Banks maintain balances in their current accounts with the Reserve Bank to provide for the Cash Reserve Ratio (CRR) requirements and for working funds to meet payment and settlement obligations. The amount of deposits in the current account of banks as on June 30, 2015 stood at ₹3,946.85 billion as compared with ₹3,677.24 billion as on June 30, 2014, registering an increase of 7.33 per cent during the year.

c. Deposits - Others

'Deposits- Others' consists of balances of Administrator of the RBI Employees'

Provident Fund, balance in the Depositors' Education and Awareness Fund (DEA Fund), balances in accounts of Foreign Central Banks, Indian and International Financial Institutions and outstanding Reverse Repo. From 2014-15, Reverse Repo transactions are being treated as deposit of funds with the Bank and therefore the outstanding Reverse Repo now forms part of 'Deposit-Others'. The amount under Deposits-Others increased by 1264.21 per cent from ₹90.79 billion as on June 30, 2014 to ₹1,238.57 billion as on June 30, 2015 primarily due to amounts held by the Bank under reverse repo transactions.

v) Other Liabilities and Provisions

The major components of 'Other Liabilities and Provisions' are provisions under different heads and Gratuity and Superannuation Fund. Till 2013-14 balances held in Gratuity and Superannuation Funds were shown under 'Deposits'-Others'. These are now shown under 'Other Liabilities and Provisions'. While Contingency Fund and Asset Development Fund represent provisions made for unforeseen contingencies and internal capital expenditure respectively, the remaining components of 'Other Liabilities and Provisions', such as, Currency and Gold revaluation account (CGRA), Investment Revaluation Account (IRA) and Foreign Exchange Forward Contracts Valuation Account (FCVA), represent unrealised marked to market gains/losses. Other Liabilities and Provisions declined by 0.63 per cent from ₹8,961.70 billion as on June 30, 2014 to ₹8,905.03 billion as on June 30, 2015, primarily due to decline in the balance held in CGRA.

a. Contingency Fund

The Contingency Fund (formerly Contingency Reserve) represents the amount set aside on a year-to-year basis for meeting unexpected and unforeseen contingencies, including depreciation in the value of securities, risks arising out of monetary/exchange rate policy operations, systemic risks and any risk arising on account of the special responsibilities enjoined upon the Bank.

b. Asset Development Fund

The Asset Development Fund (formerly Asset Development Reserve) created in 1997-98, represents the amounts provided out of income each year to meet internal capital expenditure and make investments in subsidiaries and associated institutions. During the year, there has been an addition of ₹10 billion to provide for further investment as capital in the National Housing Bank.

c. Currency and Gold Revaluation Account (CGRA)

Following the best international practices, unrealised gains/losses on valuation of Foreign Currency Assets (FCA) and Gold are not taken to the Income Account but instead recorded under a balance sheet head named as the Currency and Gold Revaluation Account (CGRA). CGRA represents accumulated net balance of unrealised gains arising out of valuation of FCA and Gold and, therefore, its balance varies with the size of the asset base, movement in the exchange rate and price of gold. During 2014-15, the balances in CGRA decreased by 2.27 per cent from ₹5,721.63 billion as on

June 30, 2014 to ₹5,591.93 billion as on June 30, 2015 mainly due to appreciation of US Dollar against other major currencies and fall in the price of Gold.

d. Investment Revaluation Account (IRA)

The foreign dated securities are marked to market on the last business day of each month and the unrealised gains/losses arising therefrom are transferred to the IRA. The balance in the IRA as on June 30, 2015 was ₹32.14 billion as compared with ₹37.91 billion as on June 30, 2014.

e. Foreign Exchange Forward Contracts Valuation Account (FCVA) & Provision for Forward Contracts Valuation Account (PFCVA)

MTM of outstanding forward contracts as on June 30, 2015 resulted in a net loss of ₹0.39 billion, which was debited to the FCVA with contra credit to the PFCVA. As per the extant policy, the debit balance of ₹0.39 billion in FCVA was adjusted against the Contingency Fund on June 30, 2015 and reversed on July 1, 2015. Accordingly, the balance in FCVA and PFCVA as on June 30, 2015 was nil and ₹0.39 billion respectively, as against a balance of ₹.42.98 billion and nil respectively as on June 30, 2014.

The position of balances in CGRA, IRA, FCVA and PFCVA for the last five years is given in Table XI.3.

f. Surplus transferable to the Government of India

Under Section 47 of the Reserve Bank of India Act, 1934 after making provisions for bad and doubtful debts, depreciation

Table XI.3: Balances in Currency and Gold Revaluation Account (CGRA), Foreign Exchange Forward Contracts Valuation Account (FCVA), Provision for Forward Contracts Valuation Account (PFCVA) and Investment Revaluation Account (IRA)

(₹ billion)

As on June 30	CGRA	FCVA#	PFCVA@	IRA
1	2	3	4	5
2011	1,822.86	0.01	--	42.69
2012	4,731.72	24.05	--	122.22
2013	5,201.13	16.99	--	24.85
2014	5,721.63	42.98	0.00	37.91
2015	5,591.93	0.00	0.39	32.14

The equivalent account was Exchange Equalisation Account (EEA) till 2012-13.

@ Opened during 2013-14.

in assets, contribution to staff and superannuation fund and for all matters for which provisions are to be made by or under the Act or that are usually provided by bankers, the balance of the profits of the Bank is required to be paid to the Central Government. Under Section 48 of the Reserve Bank Act, 1934 the Bank is not liable to pay income tax or super tax or any other tax on any of its income, profits or gains and is also exempt from payment of wealth tax. Accordingly, after adjusting expenditure, the contribution of an amount of ₹0.04 billion to the statutory funds, and necessary provisions, the surplus transferable to the Government of India for the year 2014-15 amounted to ₹658.96 billion, (including ₹11.46 billion as against ₹12.69 billion in the previous year payable towards the difference in interest expenditure borne by the Government consequent on conversion of special securities into marketable securities).

g. Bills Payable

The Reserve Bank provides remittance facilities for its constituents and also meets its own payments requirements through issue of Demand Drafts (DDs) and Payment Orders (POs) (besides electronic payments mechanisms). The balance under this head represents the unclaimed DDs/ POs . The total amount outstanding under this head decreased from ₹0.37 billion as on June 30, 2014 to ₹0.17 billion as on June 30, 2015 mainly due to lesser use of DDs/POs.

h. Miscellaneous

This is a residual category representing items such as interest earned on earmarked securities, amounts payable on leave encashment, etc. Till 2013-14 this category included margin maintained on Repo transactions, which has since been discontinued following the change in accounting treatment of Repo under LAF and MSF. The decrease in balance under this category from ₹68.24 billion as on June 30, 2014 to ₹30.83 billion as on June 30, 2015 was mainly on account of discontinuation of accounting of margins in respect of Repo under LAF and MSF.

vi Liabilities of Issue Department- Notes Issued

The liabilities of the Issue Department reflect the quantum of currency notes in circulation. Section 34 (l) of the Reserve Bank of India Act requires that all bank notes issued by the Reserve Bank since April 1, 1935 and the currency notes issued by the Government of India before the commencement of operations of the Reserve Bank be part of the liabilities of the Issue

Department. The currency notes in circulation increased by 9.57 per cent from ₹13,445.16 billion as on June 30, 2014 to ₹14,732.43 billion as on June 30, 2015.

XI.11.2 ASSETS**11.2.1 Assets of Banking Department (BD)**

The assets comprise Notes, Rupee Coin and Small Coin, Gold Coin and Bullion, Foreign Currency Assets, investments in Rupee Securities, Bills Purchased and Discounted, Loans and Advances, Investment in Subsidiaries, Other Assets. The details are as under:

i) Notes, Rupee Coin and Small Coin

This is the balance of bank notes, one rupee notes, rupee coins of ₹1, 2, 5 and 10 and small coins kept in the vaults of the Banking Department to meet the day to day requirements of the banking functions conducted by the Reserve Bank. The balance as on June 30, 2015 was ₹0.11 billion, which was the same as on June 30, 2014.

ii) Gold Coin and Bullion

Bank holds 557.75 metric tonnes of gold, of which 292.26 metric tonnes are held as backing for notes issued and shown separately as an asset of Issue Department. The balance 265.49 metric tonnes is treated as an asset of Banking Department. The value of gold held as asset of Banking Department declined by 1.93 per cent from ₹590.24 billion as on June 30, 2014 to ₹578.84 billion as on June 30, 2015 on account of decline in international gold prices.

iii) Bills Purchased and Discounted

Though the Reserve Bank can undertake purchase and discounting of commercial bills under the Reserve Bank of India Act, 1934, no such activity has been undertaken in 2014-15;

consequently, there was no such asset in the books of the Reserve Bank as on June 30, 2015.

iv) Investments Foreign –BD

The Foreign Currency Assets (FCA) of the Reserve Bank are shown under two heads in the Balance Sheet: (a) 'Investments-Foreign-BD', shown as a distinct item under the assets of the Banking Department and (b) 'Investments-Foreign-ID' as Issue Department assets.

Investments-Foreign-BD include (i) deposits with other central banks, (ii) deposits with the

Bank for International Settlements (BIS), (iii) balances with foreign branches of commercial banks, (iv) investments in foreign treasury bills and securities and (v) Special Drawing Rights (SDR) acquired from the Government of India. Investments-Foreign-ID comprises Deposits, T-bills and dated securities. The position of FCA of the Bank for the last two years is given in Table XI.4.

v) Investments- Domestic-BD

Investments comprise dated Government Rupee Securities, Treasury Bills and Special

Table XI.4: Details of Foreign Currency Assets (FCA)

(₹ billion)

Particulars	As on June 30	
	2014	2015
1	2	3
I Assets of Issue Department		
Investments-Foreign-ID (Foreign securities under Issue Department balance sheet till 2013-14)	12,783.31	14,082.75
II Assets of Banking Department		
(a) Included in 'Investments' (Till 2013-14)	1,069.45	0.00*
(b) Investment-Foreign-BD	3,726.76	7,276.29@
Total	17,579.52	21,359.04

* : Foreign Securities and Shares in BIS and SWIFT held under this head have been moved under Investments-Foreign-BD during the year.

@ : including SDRs valued at ₹99.08 billion.

Notes:

1. Uncalled amount on partly paid shares of the Bank for International Settlements (BIS) as on June 30, 2015 was ₹1.08 billion (SDR 12,041,250). The amount was ₹1.12 billion (SDR 12,041,250) in the previous year.
2. The Reserve Bank has agreed to make resources available under the IMF's New Arrangements to Borrow (NAB) [which subsumes the earlier commitment of US\$ 10 billion (₹637.55 billion) under the Note Purchase Agreement] up to a maximum amount of SDR 8.74 billion (₹783.74 billion /US\$12.29 billion). As on June 30, 2015, investments amounting to SDR 0.84 billion (₹75.22 billion/US\$ 1.18 billion) have been made under the NAB.
3. The Reserve Bank has agreed to invest up to an amount, the aggregate of which shall not exceed US\$ 5 billion (₹318.77 billion), in the bonds issued by the India Infrastructure Finance Company (IIFC), UK. As on June 30, 2015, the Reserve Bank has invested US\$ 2.10 billion (₹133.89 billion) in such bonds.
4. In terms of the Note Purchase Agreement (NPA) 2012 entered into by the Reserve Bank with IMF, Reserve Bank would purchase SDR denominated Notes of the IMF for an amount up to the equivalent of US\$ 10 billion (₹637.55 billion).
5. During the year 2013-14, the Reserve Bank and the Government of India (GoI) entered into a MoU for transfer of SDR holdings from GoI to the Reserve Bank in a phased manner. During the year ending June 30, 2015, SDR 0.57 billion (₹51.16 billion; US\$ 0.82 billion) was transferred to the Reserve Bank. The SDR balance held by the Reserve Bank as on June 30, 2015, was SDRs 1.1 billion (₹99.08 billion; US\$ 1.55 billion).
6. With a view to strengthening regional financial and economic cooperation, the Reserve Bank has agreed to offer an amount of US\$ 2 billion both in foreign currency and Indian rupee under the SAARC Swap Arrangement to SAARC member countries. During the year ending June 30, 2015, Sri Lanka (Central Bank of Sri Lanka) has availed of US\$ 0.4 billion (₹25.50 billion) under this arrangement.

Oil bonds. However, as on June 30, 2015 the Bank did not hold any treasury bills. The Reserve Bank's holdings of domestic securities held as part of Bank's investments came down by 22.58 per cent, from ₹6,684.68 billion as on June 30, 2014 to ₹5174.97 billion as on June 30, 2015. The decrease was on account of (a) change in accounting treatment of Repo/ Reverse Repo under LAF and MSF (b) liquidity management operations conducted by the Bank, and (c) Govt securities maturing during the year 2014-15.

vi) Loans and Advances

a) Central and State Governments

These loans are extended in the form of Ways and Means Advances (WMA) in terms of Section 17(5) of the Reserve Bank of India Act and the limit in case of central government is fixed from time to time in consultation with them and in case of state governments, the limits are fixed based on the recommendations of Advisory Committee/Group constituted for this purpose. No loans and advances to the central government were outstanding as on June 30, 2015 and June 30, 2014. Loans and advances to the state governments as on June 30, 2015 stood at ₹25.77 billion as compared with ₹6.66 billion as on June 30, 2014.

b) Loans and advances to Commercial and Co-operative banks

These mainly include refinance availed from the Reserve Bank under the export credit refinance (ECR) facility against eligible outstanding export credit and amounts outstanding under Repo under Liquidity Adjustment facility (LAF) and Marginal Standing Facility (MSF). From the year 2014-15, Repo under LAF and

MSF are being treated as lending and reflected under this head, as a result of which, the balance under this head, increased by 147.87 per cent from ₹295.51 billion as on June 30, 2014 to ₹732.48 billion as on June 30, 2015.

c) Loans and advances to NABARD

The Reserve Bank can extend loans to NABARD under section 17 (4E) of the Reserve Bank of India Act, 1934. As on June 30, 2015 no loan is outstanding.

d) Loans and advances to others

The balance under this head represents loans and advances to National Housing Bank (NHB), Small Industries Development Bank of India (SIDBI), liquidity support provided to Primary Dealers (PDs) and outstanding Repo/ Term Repo conducted with the PDs amounting to ₹44.07 billion. The balance under this head decreased by 35.81 per cent from ₹68.66 billion as on June 30, 2014 to ₹44.07 billion as on June 30, 2015 primarily on account of repayment of loans by SIDBI.

vii) Investment in Subsidiaries

The details of holdings in subsidiaries institutions as on June 30, 2015 are given in Table XI.5.

Table XI 5: Holdings in subsidiaries

(Amount in ₹ billion)

	Cost	% holding
1	2	3
a) Deposit Insurance and Credit Guarantee Corporation (DICGC)	0.50	100
b) National Bank for Agriculture and Rural Development (NABARD)	0.20	1
c) National Housing Bank (NHB)	4.50	100
d) Bharatiya Reserve Bank Note Mudran Pvt. Ltd. (BRBNMPL)	8.00	100
Total	13.20	

viii) Other Assets

a. 'Other Assets' comprise fixed assets (net of depreciation), accrued income on domestic and foreign investments, balances held in Swap Amortisation Account (SAA), Revaluation of Forward Contracts Account (RFCA) and Miscellaneous Assets. Miscellaneous Assets comprise mainly loans and advances to staff, amount spent on projects pending completion, security deposit paid *etc.* The amount outstanding under 'Other Assets' decreased by 8.66 per cent from ₹343.13 billion as on June 30, 2014 to ₹313.43 billion as on June 30, 2015 primarily on account of marked to market loss on forward contracts as on June 30, 2015 as against marked to market gain as on June 30, 2014.

b. Swap Amortisation Account (SAA)

In the case of swaps that are in the nature of repo at off-market rates, the difference between the future contract rate and the rate at which the contract is entered is amortised over the period of the contract and held in the SAA. The balance in this account increased by 59 per cent from ₹59.30 billion as on June 30, 2014 to ₹94.33 billion as on June 30, 2015. The amounts held in this account will be reversed on maturity of the underlying contracts.

c. Revaluation of Forward Contracts Account (RFCA)

Forward contracts which are entered into as part of intervention operations are marked to market on June 30. The net gain is required to be recorded in the RFCA, and reversed on the maturity of the underlying contracts. The balance in this account as on June 30, 2015 was nil on account of marked to market loss on forward contracts.

11.2.2 Assets of Issue Department

The eligible assets of the Issue Department held as backing for notes issued consist of Gold Coin and Bullion, Rupee Coin, Foreign Currency Assets, Government of India non-interest bearing Rupee Securities and Domestic Bills of Exchange and other Commercial Papers. The Reserve Bank holds 557.75 metric tonnes of gold, of which 292.26 metric tonnes are held in India as backing for notes issued (Table XI.6). The value of gold held as backing for notes issued decreased by 1.93 per cent from ₹649.78 billion as on June 30, 2014 to ₹637.23 billion as on June 30, 2015, reflecting declining international bullion prices. Consequent upon an increase in notes issued, foreign currency assets held as backing for notes issued increased by 10.17 per cent from ₹12,783.31 billion as on June 30, 2014 to ₹14,082.75 billion as on June 30, 2015. The balance of Rupee coins held by Issue Department increased by 15.70 per cent from ₹1.72 billion as on June 30, 2014 to ₹1.99 billion as on June 30, 2015. The amount of non-interest bearing rupee securities remained unchanged at ₹10.46 billion.

XI.12 Foreign Currency Assets and Foreign Exchange Reserves

The Foreign Exchange Reserves (FER) predominantly comprises FCA, besides gold,

Table XI.6: Physical holding of Gold

	As on June 30, 2014	As on June 30, 2015
	Volume in metric tonnes	Volume in metric tonnes
1	2	3
Gold held for backing note issue (held in India)	292.26	292.26
Gold held as asset of Banking Department (held abroad)	265.49	265.49
Total	557.75	557.75

Table XI.7(a): Foreign Exchange Reserves

(Amount in ₹ billion)

	As on June 30		Variation	
	2014	2015	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	17,530.21 [^]	21,100.56 [#]	3,570.35	20.37
Gold	1,240.02	1,216.07 [@]	(-) 23.94	(-) 1.93
Special Drawing Rights (SDR)	268.31	259.03	(-) 9.28	(-) 3.46
Reserve Position in the IMF	103.23	83.96	(-) 19.27	(-) 18.67
Foreign Exchange Reserves (FER)	19,141.77	22,659.62	3,517.86	18.38

[^] : Excludes SDR Holdings of the Reserve Bank amounting to ₹49.31 billion which is included under the SDR holdings.

[#] : Excludes (a) SDR Holdings of the Reserve Bank acquired from GOI, amounting to ₹99.08 billion, which is included under the SDR holdings, (b) Investment of ₹133.89 billion in bonds issued by IIFC (UK) and (c) ₹25.50 billion lent to Sri Lanka under a Currency Swap arrangement made available for SAARC countries.

[@] : Of this, Gold valued at ₹637.23 billion is held as an asset of Issue Department and Gold valued at ₹578.84 billion is held under asset of Banking Department.

Table XI.7(b): Foreign Exchange Reserves

(Amount in US \$ billion)

	As on June 30		Variation	
	2014	2015	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	289.32 [*]	331.55 ^{**}	42.23	14.59
Gold	20.63	19.07	(-) 1.56	(-) 7.56
Special Drawing Rights (SDR)	4.47	4.06	(-) 0.41	(-) 9.17
Reserve Position in the IMF	1.72	1.32	(-) 0.40	(-) 23.26
Foreign Exchange Reserves (FER)	316.14	356.00	39.86	12.61

^{*} : Excluding USD 1,181 million invested in bonds of IIFC (UK) and SDRs equivalent to USD 820.56 million acquired by the Reserve Bank.

^{**} : Excludes (a) SDRs equivalent to US\$ 1,554 million acquired by the Reserve Bank from GOI, which is included under the SDR holdings, (b) Investment of US\$ 2,100 million in bonds issued by IIFC (UK) and (c) LKR equivalent to US\$ 400 million received from Sri Lanka under a Currency Swap arrangement made available for SAARC countries.

Special Drawing Rights (SDRs) and Reserve Tranche Position (RTP). Reserve Tranche Position represents India's quota contribution to IMF in foreign currency and is not part of the Bank's balance sheet. The position of Foreign Exchange Reserves as at June 30, 2014 and June 30, 2015 in Indian Rupees and the US dollar, which is the numeraire currency for our foreign exchange reserves, have been furnished in Tables XI.7 (a) and (b).

ANALYSIS OF INCOME AND EXPENDITURE

Income

XI.13 The main components of Reserve Bank's income are Interest Receipts and Others including (i) Discount, (ii) Exchange, (iii) Commission and (iv) Rent Realised, Profit or loss on sale of Bank's property and provisions no longer required. Of these, Interest receipts forms the major portion, supplemented by relatively small amounts of income from other sources, viz., discount, exchange, commission and others.

Earnings from Foreign Sources

XI.14 The income from foreign sources, increased by 30.2 per cent from ₹197.68 billion in 2013-14 to ₹257.44 billion in 2014-15 mainly on account of increase in the size of foreign currency assets which increased from ₹17,579.52 billion rupees as on June 30, 2014 to ₹21,359.03 billion rupees as on June 30, 2015. The rate of earnings on foreign currency assets was higher at 1.36 per cent in 2014-15 as compared with 1.21 per cent in 2013-14 (Table XI.8).

Earnings from Domestic Sources

XI.15 The net income from domestic sources increased by 19.29 per cent from ₹448.49 billion in 2013-14 to ₹535.00 billion in 2014-15, mainly on account of lower depreciation on rupee securities as the prices of Government securities stayed in a narrow range throughout the year. The substantial decline in depreciation by ₹382.17 billion was offset to a large extent by lower profits realised on sales of securities as the central government is now being compensated based on the weighted average rate of the term auctions conducted by the Reserve Bank during the year as against the earlier system of investing in government securities from out of the Bank's holdings. The details of earnings from domestic sources are given in Table XI.9.

XI.16 The coupon receipts was slightly lower at ₹436.30 billion in 2014-15 as compared to ₹470.53 billion as the Reserve Bank's holding of rupee securities came down on account of Open Market Operations (OMO) sales (including the sales on NDS-OM) and redemption of securities on maturity. No OMO purchases were conducted during the year.

XI.17 The net interest income from LAF and MSF (Interest on Repo and MSF less interest paid by the Bank on Reverse Repo) decreased by 60.53 per cent from ₹76.47 billion in 2013-14 to ₹30.17 billion in 2014-15 largely on account of lower Average Daily Net Liquidity Injection through RBI windows (Repo, Reverse Repo, MSF, Term Repo & Term Reverse Repo).

XI.18 Interest income on Ways and Means Advances (WMA)/Overdraft (OD) from the Centre and States increased by 21.91 per cent from ₹3.88 billion as on June 30, 2014 to ₹4.73 billion as on June 30, 2015. The interest received on account of WMA/OD from the central government during 2014-15 was ₹3.57 billion as compared to ₹3.22 billion during 2013-14 due to higher average utilisation of OD for 19 days by the central government as compared to lower utilisation of OD for 9 days in the previous year. The interest received on WMA/OD/Special Drawing Fund (SDF) from states during the year 2014-15 was ₹1.16 billion as compared to

Table XI.8: Earnings from Foreign Sources

Item	(₹ billion)			
	As on June 30		Variation	
	2014	2015	Absolute	Per Cent
1	2	3	4	5
Foreign Currency Assets (FCA)	17,579.52	21,359.04	3,779.51	21.50
Average FCA	16,368.93	18,909.29	2,540.36	15.52
Earnings from FCA (interest, discount, exchange gain/loss, capital gain/loss on securities)	197.68	257.44	59.76	30.23
Earnings from FCA as per cent of average FCA	1.21	1.36	0.15	12.40

Table XI.9: Earnings from Domestic Sources

(₹ billion)

Item	Year ended		Variation	
	June 30, 2014	June 30, 2015	Absolute	Per cent
1	2	3	4	5
Domestic Assets	8664.04	7656.01	(-)1008.03	(-)11.63
Weekly Average of Domestic Assets	8694.77	7828.99	(-)865.78	(-)9.96
Earnings (I + II+III)	448.49	535.00	86.51	19.29
I. Interest and other Securities Related Income				
i) Profit on Sale of Securities	331.37	139.15	(-)192.22	(-)58.01
ii) Net Interest on LAF Operations	59.02	28.30	(-)30.72	(-)52.05
iii) Interest on MSF operations	17.45	1.88	(-)15.57	(-)89.23
iv) Interest on holding of Domestic Securities	470.53	436.30	(-)34.23	(-)7.27
v) Depreciation	(-)480.45	(-)98.28	382.17	79.54
Sub total (i+ii+iii+iv+v)	397.92	507.35	109.43	27.50
II. Interest on Loans and Advances				
i) To Government (Central & States)	3.88	4.73	0.85	21.91
ii) To Banks & Financial Institutions	33.10	8.87	(-)24.23	(-)73.20
iii) To Employees	0.48	0.46	(-)0.02	(-)4.17
Sub total (i+ii+iii)	37.46	14.06	(-)23.40	(-)62.47
III. Other Earnings				
i) Discount	0.01	0.00	(-)0.01	(-)100
ii) Exchange	0.00	0.00	0.00	0.00
iii) Commission	12.57	13.38	0.81	6.44
iv) Rent realised, Profit or Loss on sale of Bank's property and Provisions no longer required.	0.53	0.21	(-)0.32	(-)60.38
Sub total (i+ii+iii+iv)	13.11	13.59	0.48	3.66

₹0.66 billion for the year 2013 –14. This is attributable to significantly higher daily average utilisation of WMA/OD/SDF by the States at ₹14.46 billion in 2014-15 as against ₹8.51 billion during 2013-14.

Expenditure

XI.19 The Reserve Bank incurs expenditure in the course of performing its statutory functions by way of agency charges/commission, printing of notes, expenses on remittance of treasure besides staff related and other expenses. The total expenditure of the Reserve Bank increased by 11.92 per cent from ₹119.34 billion in 2013-14 to ₹133.56 billion in 2014-15.

i) Interest Payment

During 2014-15 interest of ₹0.01 billion was credited to Dr B.R.Ambedkar Fund that was set up for giving scholarship to wards of staff.

ii) Employee cost

The employee cost decreased by 6.15 per cent from ₹43.24 billion in 2013-14 to ₹40.58 billion in 2014-15. The major component of employee cost is gratuity and superannuation. The decrease is mainly due to the decrease in the contribution towards accrued liabilities of the Gratuity and Superannuation Fund and other funds based on the actuarial valuation. The

contribution for the year 2014-15 was ₹14.83 billion as against ₹18.09 billion in the previous year. Govt dated rupee securities, equivalent to the balances in Provident Fund, Gratuity & Superannuation Fund, Leave Encashment Fund and Medical Assistance Fund, held by the Bank have been specifically ear-marked for these Funds.

iii) Agency Charges

a. Agency Commission on Government Transactions

The Reserve Bank discharges the function of banker to the government through a large network of agency bank branches that serve as retail outlets for government transactions. The Reserve Bank pays commission to these agency banks at prescribed rates which were last revised with effect from July 01, 2012. The agency commission paid to these banks on account of government business for the year 2014-15 was ₹29.63 billion as compared with ₹27.81 billion for the year 2013-14, registering an increase of 6.54 per cent. The increase in agency commission could be attributed to the growth in number of transactions and amount involved in government receipts and payments.

b. Underwriting Commission paid to the Primary Dealers (PDs)

Reserve Bank paid total underwriting commission of ₹0.33 billion to PDs during 2014-15 as compared to ₹4.81 billion during 2013-14. Underwriting commission was on the lower side as compared to last year due to softening of yields during the year (10 year benchmark yield decreased by around

86 bps) on account of various reasons like RBI rate cut by 75 bps, softening of crude prices; fall in CPI and WPI etc. As the market conditions were benign and risk of devolvement reduced, PDs demanded lesser underwriting commission as compared to last year when market conditions turned volatile after taper tantrum by US Fed in May 2013.

c. Fees paid to the External Asset Managers, custodians, etc.

Fees amounting to ₹0.49 billion were paid during the year July-June 2015 as compared to ₹0.63 billion in 2013-14 to the external asset managers who are entrusted with the management of a small portion of the Reserve Bank's foreign exchange reserves and to custodians who hold the foreign assets of the Reserve Bank.

iv) Printing of notes

The expenditure incurred on printing of notes increased by 17.05 per cent from ₹32.14 billion in 2013-14 to ₹37.62 billion in 2014-15 mainly on account of increase in the supply of banknotes.

v) Other expenses

Other expenses consisting of expenditure on remittance of treasure, printing and stationery, audit fees and related expenses, miscellaneous expenses, etc. increased by 39.74 per cent from ₹10.67 billion as on June 30, 2014 to ₹14.91 billion as on June 30, 2015. This is primarily on account of increase in expenditure on Banking Development Scheme from ₹0.53 billion in 2013-14 to ₹3.03 billion in 2014-15.

vi) Provisions

This represents an amount of ₹10 billion transferred to the ADF for the investment to be made in the share capital of NHB.

Previous Year's Figures

XI.20 Figures for the previous year have been rearranged to make them comparable with the current year.

Auditors

XI.21 The statutory auditors of the Bank are appointed by the Central Government in terms of Section 50 of the RBI Act, 1934. The accounts of the Reserve Bank for the year 2014-15 were audited by M/s Haribhakti & Co. LLP, Mumbai and M/s CNK & Associates LLP, Mumbai as the Statutory Central Auditors and M/s M Choudhury and Co., M/s Sundaram & Srinivasan and M/s V K Verma & Co. as Statutory Branch Auditors.