



Reserve Bank of India

The Internal Debt Management Department

The Internal Debt Management Department was originally created as a cell within the Secretary's Department in April, 1992 comprising the Public Borrowing, Open Market Operations and Ways and Means sections. The Cell was fully constituted as an independent unit called Internal Debt Management Cell (IDMC) on October 1, 1992 and later renamed as the Internal Debt Management Department (IDMD) in May 2003. Consequent upon the formation of the Financial Markets Department (FMD) in October 2005, some of the market related activities were carved out from IDMD to form part of FMD.

Functions of IDMD

The main activity of the Department is to manage the public debt of Government of India/ State Governments. The Department also regulates and supervises the Primary Dealers System and has the responsibility for development of Government Securities Market. These activities involve:

- (i) Floatation of Central/State Government Loans – preparation of calendar for issuances of Government of India dated securities and Treasury Bills, introduction of new instruments for Government's market borrowings;
- (ii) Fixing of limits on Ways and Means advances (WMA) for both Central and State Governments and monitoring the use of these limits on a daily basis;
- (iii) Authorisation, regulation and supervision of the Primary Dealer system;
- (iv) Market development activities like the introduction of new instruments, development of trading platform, clearing and settlement systems and widening of investor base;
- (v) Facilitating State Governments' investment of their surplus cash balances in Treasury Bills and dated securities under various funds.

Statutory provisions

The essential legal framework for management of the public debt is provided by the Reserve Bank of India Act, 1934. Specifically, Sections 20, 21, 21A, 17(11), 17(5) of the RBI Act define the role of the Bank in managing public debt of the Central and State Governments.

- (i) In terms of Section 20 and 21 of the RBI Act, management of the public debt of the Government of India and the issuance of new loans is vested with the Reserve Bank of India.
- (ii) Under Section 21A of the RBI Act, the Bank may, by agreement with the Government of any State, undertake the management of the public debt of that State.
- (iii) Under Section 17(11) of the RBI Act, the RBI is empowered to act as an agent of, *inter alia*, the Central and State Governments in managing public debt and issuing and managing bonds and debentures.
- (iv) The Bank is authorised to make Ways and Means advances (WMA) to the Central and the State Governments as a banker to them in terms of section 17(5) of the RBI Act.
- (v) The Reserve Bank derives its regulatory power over the government securities market from Section 16 of the Securities Contracts (Regulation) Act (SCRA), 1956, as amended in March 2000 under which the Government has delegated the powers exercisable by it to the Reserve Bank. Under Section 45W of the RBI (Amendment) Act, 2006, the RBI is empowered to regulate transactions in derivatives, money market instruments, etc. The Reserve Bank is, thus, authorised to regulate dealings in government securities, money market securities, gold related securities and securities derived from these securities as also ready forward contracts in debt securities.
- (vi) The Government Securities (GS) Act, 2006 (which replaced the Public Debt Act, 1944) and the Government Securities Regulations, 2007 empowers RBI for the issue and management of government securities.

Operational framework

The IDMD in consultation with the Ministry of Finance, Government of India formulates half-yearly/annual calendar for primary issuance of the dated securities and the treasury bills; decides the size, timing and maturity of issuances and conducts auctions, taking into account the government's needs, market conditions and preference of various investor segments. The salient features of the issuance procedures have been codified and are placed in the public domain through a Government notification called general notification (Ref: F. No. 4(13)-W&M/2008 dated October 8, 2008). The Public Debt Offices located in different Regional Offices of the Reserve Bank manage the registry and depository functions, keeping securities accounts including the book entry form of ownership.

Article 293 of the Constitution of India provides for borrowings by the State Governments. The limit of borrowings for each State is given by the Government of India at the beginning of the year. The Reserve Bank in consultation with the respective State Governments and Government of India decides on the timing, tenure and notified amount of State Development Loans (SDLs) keeping in view the borrowing requirements of the State Governments and market conditions. Since 2006-07, the market borrowings of State Governments have also been conducted entirely through auction method.

The RBI acts as the banker to the Government and provides WMA facility to the Centre and the States. The limit of WMA in respect of the Centre is fixed in consultation with the Government of India on an annual basis. The allocation of WMA limits among States is determined taking into account the recommendations of the Advisory Committee on Ways and Means Advances and Overdrafts to the State Governments.

The IDMD regulates the Primary Dealers through the issuance of prudential and regulatory guidelines on capital adequacy standards, risk management and other operational aspects. Primary Dealers are supervised through both off-site and on-site supervision.

Dissemination of information

The IDMD disseminates all the required information from the auction announcements to declaration of results that would be relevant for individuals, banks, Financial Institutions etc who are the participants in the auctions and subscribing to the Government securities (Centre & State). The public is notified of the details of each issuance, generally three to seven days prior to the floatation/auction. The information is disseminated through the press release section of the Bank's website (www.rbi.org.in). In addition, advertisements are also issued by the Department of Communication of the Bank, giving wide publicity to the issue of securities and announcements of the auctions of particular securities with details being published in leading national newspapers.

The information related to (i) the issuance of GoI dated securities and Treasury Bills through primary market and (ii) secondary market transactions of GoI securities, State government securities and Treasury Bills are being disseminated in the public domain through press releases and various RBI publications viz. Weekly Statistical Supplement (WSS), Monthly Bulletin and Handbook of Statistics on weekly, monthly and annual basis, respectively. The debt management activities are further reported in the Annual Report of the RBI, which is a statutory report. These publications could be accessed through Bank's website using the link (<http://rbi.org.in/scripts/publications.aspx>).