

11:17 AM 08 NOV MARKET STATS ▾	SENSEX 27,466 ▲ 7.33	NIFTY 50 8,500 ▲ 2.65	GOLD (MCX) (Rs/10g.) 30,124 ▲ 46.00	USD/INR 66.70 ▼ -0.04	CREATE PORTFOLIO	Download ET MARKETS APP	CHOOSE LANGUAGE ENG
--	--------------------------------	---------------------------------	---	---------------------------------	-------------------------	--------------------------------	------------------------

Government agency to take away RBI's debt management role

By TNN | Updated: Oct 06, 2016, 11.10 AM IST

[Post a Comment](#)

NEW DELHI: Within a month of former RBI governor [Raghuram Rajan's](#) departure, the government has revived the idea of a [public debt management cell](#) (PDMC), which will take away the central bank's role of market borrowings and other debt management functions that it now undertakes on behalf of the Centre.

The setting up of the PDMA (Public Debt Management Agency) had triggered a conflict between the Centre and the central bank with Rajan protesting against setting up of such an agency, which would chip away significant power from RBI. "The PDMC shall be upgraded to a statutory PDMA, in about two years," the finance ministry said.

The government had deferred amendment to the RBI Act to set up the agency as it wanted to ease tension between the two entities and had said it would pursue the issue in a "phased manner". Finance minister Arun Jaitley had proposed to set up of the agency in 2015-16 budget speech.



The government had deferred amendment to the RBI Act to set up the agency.

The PDMA had emerged as key sticking point in the relationship between RBI and the finance ministry. There were concerns about the fate of the staff at the central bank's debt management department, which had also prompted the government to go slow on the issue.

"This interim arrangement will allow separation of debt management functions from RBI to PDMA in a gradual and seamless manner, without causing market disruptions," an order issued by the finance ministry said.

The Financial Sector Legislative Reforms Commission (FSLRC) in 2013 had backed the idea of setting up an independent PDMA to ensure that there is no conflict of interest in RBI's role as a regulator and banker to the government. Rajan who headed the panel on financial sector reform set up by then Planning Commission in 2009 had also favoured setting up a PDMA as it was a global best practice.

The need to set up a separate debt management agency was also driven by the fact that RBI sets monetary policy as well as sells bonds on behalf of the government. It was felt that the central bank may be tempted to try and sell bonds at high prices, while keeping interest rates low, leading to a conflict of interest.

The finance ministry order said the PDMC will plan market borrowings of the government as well as issue of sovereign gold bonds. It will also manage cash balances of the government, managing the national small savings fund among a host of other debt management activities including developing an integrated debt database system as a centralised database for all liabilities of the government on a real time basis. The PDMC will also administer interest rates on small savings schemes such as public provident fund.

The transition process from PDMC to PDMA would be implemented by a joint implementation committee which will have members from RBI and the government.

Stay on top of business news with The Economic Times App. [Download it Now!](#)

- [Live Market](#)
- [News](#)
- [Portfolio](#)
- [Mobile](#)
- [Live TV](#)
- [Newsletter](#)
- [Commodities](#)
- [Speed](#)
- [QnA](#)
- [Blogs](#)
- [Alerts](#)
- [RSS](#)

Other Times Group news sites

Times of India | इकनॉमिक टाइम्स
 छद्दीनोमिक् टाइम्स | Mumbai Mirror
 Times Now | Indiatimes
 नकभारत टाइम्स | महाराष्ट्र टाइम्स
 ವಿಜಯ ಕರ್ನಾಟಕ | Lifehacker

Living and entertainment

Timescity | iDiva | Zoom |
 Luxpresso | Gaana | Happytrips |
 Cricbuzz | Get Smartapp

Networking

itimes | MensXP.com

Hot on the Web

Sensex, Nifty Live Blog | Gold Rate
 US Elections 2016 | Festival Guide 2016
 Google expected to unveil Pixel smartphones | Live: India's surgical strikes on PoK
 RBI Rate Cut

Services

ads2book | Gadgetsnow | Free Business Listings
 Simplymarry | Astrospeak | Timesjobs | Magicbricks | Zigwheels | Timesdeal |
 dineout | Filmipop | Remit2India | Gaana | Greetzap | Techradar | Alivear |
 Google Play