

Monetary Policy Committee

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In News

The Monetary Policy Committee (MPC) **constituted by the Central Government under Section 45ZB of the RBI Act** determines the policy interest rate required to achieve the inflation target. Views of key stakeholders in the economy, and analytical work of the Reserve Bank contribute to the process for arriving at the decision on the policy repo rate.

About Monetary Policy Committee

- The MPC is a **statutory committee that fixes the key policy interest rates and monetary policy stance of the country as well as the inflation target.**
- The MPC comprises **three external members and three members from the RBI.**
- The **RBI Governor heads the MPC**, with the Deputy Governor in charge of the Monetary Policy Department, and the Executive Director looking after the policy as the other members from the central bank.
- The **first MPC meeting was held on October 4, 2016** when Urjit Patel was the RBI Governor. **Prior to October 2016, the RBI Governor used to decide on policy rate.** A **Technical Advisory Committee (TAC)** on monetary policy with specialists from fiscal economics, financial markets, central banking, and public finance **advised** on the stance of monetary framework.
- The **RBI's Monetary Policy Department (MPD) supports the MPC in framing the monetary policy** and the **Financial Markets Operations Department (FMOD) operationalises the financial policy** through the daily liquidity management operations.
- The **Financial Market Committee (FMC)** meets daily to **review the liquidity conditions** so as to ensure that the

operating target of monetary policy (weighted average lending rate) is kept close to the policy repo rate.

▪ Under the modified RBI Act, the monetary framework making is as under:

. The MPC should meet at least four times in a year.

. The minimum number of members for the meeting of the MPC is four.

. Each MPC member gets one vote, and **in case of an equality of votes, the Governor has a casting or second vote.**