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Ministry of Finance
Department of Economic Affairs
(Budget Division)

Dated: 4th October 2016

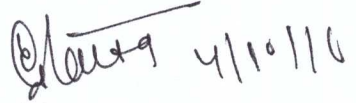
Office Memorandum

Subject: Setting up a Public Debt Management Cell (PDMC) in Budget Division, Department of Economic Affairs, Ministry of Finance

It has been decided to set up a Public Debt Management Cell (PDMC) in Budget Division, Department of Economic Affairs (DEA), Ministry of Finance (MoF), as an interim arrangement before setting up an independent and statutory debt management agency, namely Public Debt Management Agency (PDMA) of India, in due course. This interim arrangement will allow separation of debt management functions from RBI to PDMA in a gradual and seamless manner, without causing market disruptions. The PDMC shall be upgraded to a statutory PDMA, in about 2 years.

2. The PDMC will have only advisory functions to avoid any conflict with the statutory functions of RBI. It will have following functionalities:
- a) Plan borrowings of GoI, including market borrowings, other domestic borrowing activities of GoI through specific products, including Sovereign Gold Bond issuance.
 - b) Manage Central Government liabilities, including Internal Debt, Guarantee proposals and Contingent Liabilities, and National Small Saving Fund.
 - c) Monitor cash balances of the Government, improve cash forecasting and promote efficient cash management practices.
 - d) Foster a liquid and efficient market for Government securities.
 - e) Analyse and advise concerned Divisions of DEA on the proposals of External borrowing as regards cost, tenure, currency, hedging requirements, etc. and monitor development in foreign exchange markets. External borrowing proposals would, however, continue to be negotiated by MI and BC Divisions and AAA Division will continue to provide requisite back office support.
 - f) Develop an Integrated Debt Database system (IDMS) as a Centralised data base for all liabilities of GoI, on a near real time basis.
 - g) Advise on matters related to Investment, Capital Market operations, Guarantee proposals, administration of interest rates on Small savings, and various loans and advances given by GoI.
 - h) Undertake requisite market interface with various stakeholders, including Government departments, Central Bank, investors, primary dealers, financial market regulators, market participants, etc. to carry out assigned functions efficiently.
 - i) Undertake such research work, including those relating to new products development, market development, risk management, debt sustainability assessment, and other debt management functions, as and when required by Ministry of Finance.
 - j) Undertake requisite preparatory work for PDMA.

3. The Joint Secretary (Budget), Department of Economic Affairs, Ministry of Finance would be the overall in-charge of the PDMC.
4. The transition process from PDMC to PDMA would be implemented by a Joint Implementation Committee (JIC) to be chaired by JS (Budget), with members from Government and RBI. JIC would operate under the supervision of the Monitoring Group on Cash and Debt Management (MGCDM) with Secretary, Economic Affairs and DG, RBI as Co-chairpersons. The MGCDM would act as a coordinating platform in the interim arrangement to ensure smooth conduct of fiscal, monetary and liquidity management, along with debt management.
5. The PDMC will be staffed by 15 experienced debt managers from Budget Division, RBI, current Middle Office and other Government units. The appointment to these posts shall be separately notified as per the extant norms and with the approval of competent authority. Further, in absence of in-house expertise, PDMC would hire Consultants from time to time.
6. The extant Middle Office, Budget Division stands subsumed into the PDMC with immediate effect.
7. One Director/ Deputy Secretary from Budget Division to be nominated by JS (Budget), shall coordinate with all concerned Divisions regarding establishment and functioning of PDMC.
8. IDMS shall be an integral part of the PDMC. IDMS is expected to be a centralised Debt data base of Internal Debt (Dated securities, Treasury bills etc.), External debt and other liabilities (NSSF schemes, bonds issued in lieu of subsidies etc.) on near real time basis. It will also keep record of Contingent liabilities. The responsibility to develop this system is hereby assigned to NIC, which will take necessary care to maintain confidentiality of data.
9. The PDMC will be initially located in RBI's Delhi office. The Expenditure of PDMC shall be met through normal budgetary support from the demand of Department of Economic Affairs, Ministry of Finance.



(Harish Kumar Srivastava)
Director

To

1. Deputy Governor, RBI
2. Controller General of Accounts
3. Dy. CAG (Commercial)
4. CEA
5. All Economic Advisors
6. JS(MI)/ JS(BC)/ JS(FM)/ JS(Inv)/ JS (Infra)/ CAAA
7. DDG, NIC, Department of Economic Affairs
8. All DS/Directors of Budget Division
9. All Divisions of Ministry of Finance

Copy to

PS to Finance Minister
PPS to Finance Secretary
PPS to Secretary (EA)
PPS to JS (Budget)

 4/10/16

(Harish Kumar Srivastava)
Director