

**No.3/4/2011-FSLRC
Government of India
Ministry of Finance
Financial Sector Legislative Reforms Commission**

**New Delhi,
Dated 10.2.2012**

ORDER

Subject: - Working Group on Debt Management Office.

Vide Resolution No.18/1/2011-RE dated 24th March, 2011, Ministry of Finance, Department of Economic Affairs constituted the Financial Sector Legislative Reforms Commission (FSLRC) with a view to rewrite and clean up the financial sector laws to bring them in tune with the current requirements. As per para 3 of the Resolution, the Commission has been authorised to device its own procedure and to appoint consultants, advisors and experts and outsource research work to institutions of repute and expertise in the relevant area for the purpose for which the Commission has been set up.

2. The Commission has decided to constitute Working Groups to study different sectors/aspects of the financial sector in detail. Accordingly, with the approval of the competent authority, it has been decided to set up a Working Group on Debt Management Office with the following composition:

- | | | |
|---------------------------------------|---|----------|
| (i) Dr. Govinda Rao | - | Chairman |
| (ii) Shri Dhirendra Swarup | - | Member |
| (iii) Shri Kanagasabapathy Kuppuswamy | - | Member |

The Working Group may co-opt other experts as members/special invitees.

3. The Terms of Reference of the Working Group will be as per Annexure 'A'. The Working Group will follow the broad principles and processes as approved by the Commission, while making their recommendations.

4. The Working Group will submit a draft report & draft bill(s) to the Commission by the end of July, 2012. The Working Group may also make interim presentations before the Commission for keeping the Commission informed as well as for seeking its advice.

5. The Working Group will be supported by the Headquarter Research Team of the Commission.

6. Members of the Working Group will be entitled, as per their entitlement/economy air fare, for air travel between their headquarters and Delhi for attending meetings of the Working Group.



(A.K. Sinha)

Deputy Secretary to the Government of India

1. Chairman, FSLRC
2. Member Convenor, FSLRC
3. Secretary, FSLRC
4. All members of the Working Group on Debt Management Office.
5. Secretary, NIPFP.

Terms of Reference of the Working Group on Debt Management Office

January 23, 2012

The Commission has decided to constitute Working Groups to study different sectors/aspects of the financial sector in detail. Accordingly, with the approval of the competent authority, it has been decided to set up a Working Group on Debt Management Office with the following composition:

1. Dr. M. Govinda Rao (Chairman)
2. Dharendra Swarup, Member
3. Kanagasabapathy Kuppaswamy, Member

The Terms of Reference of the Working Group shall be as follows:

1. Critically evaluate the case for separation of the DMO from the RBI. In this context, focus on the conflicts of interest between the RBI's monetary policy, supervisory and regulatory objectives and the debt management objectives of minimizing the borrowing cost and the development of a government bond market. This analysis may be carried out in the light of new developments.
2. Determine how to setup the DMO under the FSLRC legal architecture, keeping in view FSLRC's work on independence, transparency and accountability.
3. Specify the work required in the DMO on databases. This requires consolidation of all information on assets and liabilities along with contingent liabilities into a single centralized database.

4. Specify in greater detail the consolidation of the functions of several dispersed debt management departments within the RBI and MoF into a single agency.
5. Issues related to placing the cash management function in the DMO:
 - (a) Specify the cash management functions of the DMO.
 - (b) Study international best practices on how DMOs and the Treasury cooperate on cash management.
 - (c) Draft law which places the cash management function in the DMO.
6. Sub-national debt: As long as states are indebted to the central government, the states are required to seek the permission of the central government to borrow. The nature of assistance that the DMO may offer to these sub-national governments in managing their debt needs to be explored.
7. Review the 2008 report and draft Bill on establishing a National Treasury Management Agency chaired by Dr. Jehangir Aziz, from the above perspectives.
8. Any other matter the working group may consider relevant.