



Govt. directions to RBI under Section 7 unlikely

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Govt. directions to RBI under Section 7 unlikely-Easing of PCA framework on the cards at board meeting

- The central board of the RBI will meet to discuss contentious issues that figured at the last board meeting — economic capital, governance issues of the central bank, boost for micro, small and medium-sized enterprises and the prompt corrective action framework for banks.

Wide ramifications

- Though the government had 'referred' Section 7 of the RBI Act for 'consultation' on these issues, it may refrain from issuing directions as such a move will have wide ramifications.
- Section 7 has never been used in the 83-year history of the bank.
- Invoking it would be interpreted as interference in the bank's autonomy.
- It would also have a bearing on international agencies such as the International Monetary Fund that issue ratings for central banks.

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