

**RBI will not allow rupee volatility - Chidambaram.**By **Chaitanya Kalbag**

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NEW DELHI, Aug 29 (Reuter) - Indian Finance Minister P. Chidambaram said the rupee's volatility had subsided and the policy of the Reserve Bank of India (RBI) was to intervene to prevent volatility and speculative activity in the market.

"The value of the rupee will be determined by the market, but the RBI will intervene to prevent volatility and speculative activity," Chidambaram told Reuters in an interview on Wednesday.

He asked that the remarks not be released until Friday when a special session of parliament was scheduled to end.

"We don't approve of volatility," Chidambaram said.

"We don't approve of speculative activity. Otherwise it will be market determined," he said.

The rupee fell to an 18-month low of 36.50 against the U.S. dollar last week.

It has been trading in the 36.20/38 band since last week.

There was no trade in the Indian foreign exchange market on Thursday and Friday due to a nation-wide bank strike.

On Wednesday, the rupee closed a shade weaker at 36.36/37 against the dollar compared with the previous close of 36.32/34.

The RBI, which had been buying dollars throughout this year to arrest the rupee's rise against the U.S. currency, began selling dollars last Friday to brake the fall.

"The volatility has subsided as of yesterday (Tuesday), more or less," Chidambaram said.

"We need to ensure that volatility subsides. That is, I think, more important than my making a statement today," the minister said.

"The RBI is monitoring the matter ... our position is clear, we will not allow volatility," he said.

"Volatility has subsided," he said.

"I don't want to say anything which might, in one section or another, trigger off volatility."

Chidambaram said the value of the rupee was not a constraint on investment.

"In fact a stable currency will be welcomed by the foreign investor," he said.

Exporters have expressed satisfaction over the fall in the value of the rupee.

"That's why we don't take sides," Chidambaram said. "We don't take sides. There's always somebody who's happy with this and somebody who's happy with that."

The finance minister reiterated that the government had taken no position on a proposed band within which the rupee would be allowed to fluctuate.

A report on capital account convertibility of the rupee, released by the government-appointed Tarapore Committee on June 3, advocated a band but recommended that the RBI should effectively be the guardian of the band once full convertibility was achieved.





"There's no band, I've said it already. There is no band. We have taken no decision on a band," Chidambaram said.

Asked if a decision on a band was pending, Chidambaram said: "There's nothing at the moment. It is a recommendation of the Tarapore Committee. Among many recommendations, it is one recommendation. How does that become a decision suddenly?"

The minister was asked if he was not ruling out the government's rejecting the idea of a band.

"No, I'm saying nothing on it," he said.

"I'm saying there is no decision on a band. In fact I said there's no decision on a 'so-called' band, I said. I mean, that gives you an indication of my thinking about a band. What is this band we are talking about?"

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