Half Yearly Report on Management of Foreign Exchange Reserves

April - September 2025

Reserve Bank of India

Department of External Investments and Operations (DEIO)

Central Office, Mumbai

Report on Management of Foreign Exchange Reserves

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Developments during the Half Year ended September 2025

I.1 Introduction

The Reserve Bank of India publishes half-yearly reports on management of foreign exchange reserves as part of its efforts towards enhanced transparency and levels of disclosure. These reports are prepared half yearly with reference to the position as at end-March and end-September each year. The present report (45th in the series) is with reference to the position as at end September 2025.

The report is divided into two parts: Part I contains the developments regarding movement of foreign exchange reserves, information on the external liabilities vis-à-vis the reserves, adequacy of reserves*, etc.,* during the half-year under review. Objectives of reserve management, statutory provisions, risk management practices, information on transparency and disclosure practices followed by the RBI with regard to reserve management are covered in Part II.

Part-I

I.2 Movement of Foreign Exchange Reserves

I.2.1 Review of Growth of Foreign Exchange Reserves

During the half-year period under review, reserves increased from USD 668.33 billion as at end-March 2025 to USD 700.09 billion as at end-September 2025 **(Table 1 and Chart 1).**

Although both US dollar and Euro are intervention currencies and the Foreign Currency Assets (FCA) are maintained in major currencies, the foreign exchange reserves are denominated and expressed in US dollar terms. Movements in the FCA occur mainly on account of purchase and sale of foreign exchange by the RBI, income arising out of the deployment of the foreign exchange reserves, external aid receipts of the Central Government and changes on account of revaluation of the assets.

Table 1: Movement in Foreign Exchange Reserves					
					(USD Million)
Month End	**FCA**	**Gold**	**SDR**	**RTP**	**Forex Reserves**
March-25	567557	78176	18169	4423	668326
			(13706)		
April -25	581195	84118	18600	4515	688428
			(13706)		
May-25	584899	83418	18597	4395	691309
			(13707)		
June-25	591354	83308	18825	4630	698118
			(13707)		
July -25	582611	84137	18660	4701	690109
			(13707)		
August -25	584530	87316	18763	4749	695358
			(13709)		
September-25	579181	97465	18775	4668	700089
			(13709)		

Notes:

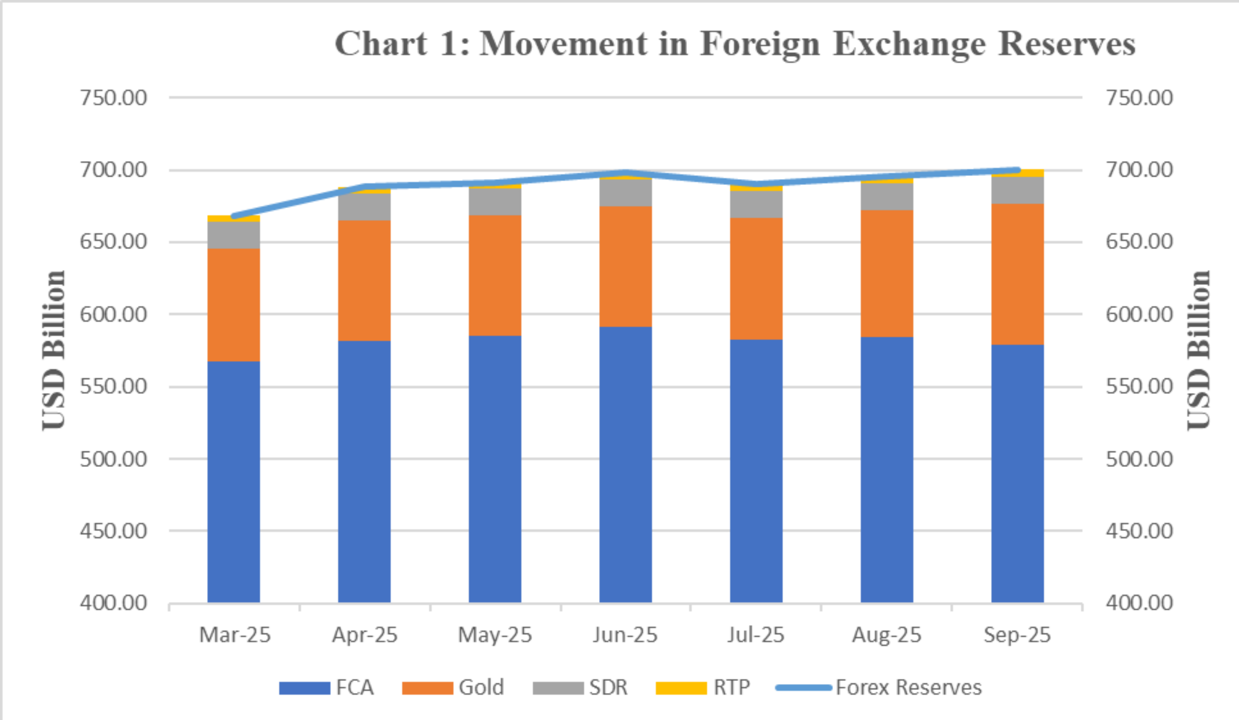
(i) FCA (Foreign Currency Assets): FCA are maintained as a multi-currency portfolio comprising major currencies, such as, US dollar, Euro, Pound sterling, Japanese yen, *etc.* and are valued in terms of US dollars.

(ii) FCA excludes (a) investment in bonds issued by IIFC (UK) (b) SDR holdings of Reserve Bank, which is included under SDR, (c) amount lent under SAARC and ACU Currency Swap Arrangements and (d) RBI's contribution to funding of Nexus Global Payments.

(iii) SDR (Special Drawing Rights): Values in SDR million have been indicated in parentheses.

(iv) RTP refers to the Reserve Tranche Position in the International Monetary Fund (IMF).

(v) Difference, if any, is due to rounding off.



I.2.2 Sources of Accretion to Foreign Exchange Reserves

On a balance of payments basis (i.e., excluding valuation effects), foreign exchange reserves increased by USD 4.5 billion during April-June 2025 compared to an accretion of USD 5.2 billion during April-June 2024. Foreign exchange reserves in nominal terms (including valuation effects) increased by USD 29.8 billion during April-June 2025 as against an increase of USD 5.6 billion in the corresponding period of the preceding year.

Table 2 provides details of sources of variation in foreign exchange reserves during April-June 2025 vis-à-vis the corresponding period of the previous year. The valuation gain amounted to USD 25.3 billion during April-June 2025 as against a valuation gain of USD 0.4 billion during April-June 2024.

	Table 2: Sources of Variation to Foreign Exchange Reserves*		
			(USD Billion)
	Items	**April-June 2024**	**April-June 2025****
I.	Current Account Balance	-8.7	-2.4
II.	Capital Account (net) (a to f)	13.9	6.9
a.	Foreign Investment	7.2	7.3
(i)	Foreign Direct Investment	6.2	5.7
(ii)	Portfolio Investment, [(of which)]	0.9	1.6
	FII	0.9	2.5
	ADR/GDR	0.0	0.0
b.	Banking Capital, [(of which)]	2.9	-1.6
	NRI Deposits	4.0	3.6
c.	Short term credit	2.2	0.7
d.	External Assistance	1.4	0.7
e.	External Commercial Borrowings	1.5	4.5
f.	Other items in capital account	-1.3	-4.9
III.	Valuation change	0.4	25.3
	Total (I+II+III) **@** Increase in reserves (+) / Decrease in reserves (-)	5.6	29.8

***:** Based on the old format of BoP which may differ from the new format (BPM6) in the treatment of transfers under the current account and ADRs/ GDRs under portfolio investment.
@: Difference, if any, is due to rounding off.
Note: 'Other items in Capital Account' apart from 'Errors and Omissions' includes SDR allocation, leads and lags in exports, funds held abroad, advances received pending issue of shares under FDI, capital receipts not included elsewhere and rupee denominated debt.
****:** Updated figures available only up to June 2025.

I.3 Forward Outstanding

The net forward asset (payable) of the Reserve Bank stood at USD 59.40 billion as at the end of September 2025.

I.4 External Liabilities vis-à-vis Foreign Exchange Reserves

India's International Investment Position (IIP), which is a summary record of the stock of country's external financial assets and liabilities as at end-June 2025, is furnished in **Table 3.** During the period between end-June 2024 and end-June 2025, the external assets increased by USD 136.8 billion and external liabilities increased by USD 82.8 billion.

Table 3: International Investment Position of India *			
			(USD Billion)
Item		**End-June 2024(PR)**	**End-June 2025 (P)**
A. Total External Assets		1051.9	1188.7
1.	Direct Investment	246.6	278.9
2.	Portfolio Investment	12.4	16.3
3.	Other Investment	140.9	195.4
4.	Foreign Exchange Reserves	652.0	698.1
B. Total External Liabilities		1418.7	1501.5
1.	Direct Investment	552.8	571.2
2.	Portfolio Investment	277.3	272.6
3.	Other Investment	588.6	657.7
C.	Net IIP (A-B) @	(-) 366.8	(-) 312.8

P: Provisional, PR: Partially revised.
@: Difference, if any, is due to rounding off.
***:** Updated figures available only up to June 2025.

The net IIP as at end-June 2025 was at a negative USD 312.8 billion as against a negative net IIP of USD 366.8 billion at end-June 2024, implying that the sum of all external liabilities is more than that of the external assets in both periods[1]. There has been a decrease in the negative gap on a year-on-year basis.

[1] Partially revised figures and hence may not tally with figures published in the previous reports.

I.5 Adequacy of Reserves

At the end of June 2025, foreign exchange reserves cover of imports (on balance of payments basis) stood at 11.4 months (11.0 months at end-March 2025). The ratio of short-term debt (original maturity) to reserves, which was 20.1 per cent at end-March 2025, decreased to 19.4 per cent at end-June 2025. The ratio of volatile capital flows (including cumulative portfolio inflows and outstanding short-term debt) to reserves also fell from 69.0 per cent at end-March 2025 to 66.6 per cent at end-June 2025.

I.6. Management of Gold Reserves

As at end-September 2025, the Reserve Bank held 880.18 metric tonnes of gold, of which 575.82 metric tonnes were held domestically. While 290.37 metric tonnes of gold were kept in safe custody with the Bank of England (BoE) and the Bank for International Settlements (BIS), 13.99 metric tonnes were held in the form of gold deposits. In value terms (USD), the share of gold in the total foreign exchange reserves increased from 11.70 per cent as at end-March 2025 to about 13.92 per cent as at end-September 2025.

I.7 Investment Pattern of the Foreign Currency Assets

The foreign currency assets comprise multi-currency assets that are held in multi-asset portfolios as per the existing norms, which conform to the best international practices followed in this regard. As at end-September 2025, out of the total FCA of USD 579.18 billion, USD 489.54 billion was invested in securities, USD 46.11 billion was deposited with other central banks and the BIS and the balance USD 43.53 billion comprised deposits with commercial banks overseas **(Table 4).** With the objective of exploring new strategies and products in reserve management while diversifying the portfolio, a small portion of the reserves is being managed by external asset managers. The investments made by the external asset managers are governed by the permissible activities as per the RBI Act, 1934.

Table 4: Deployment Pattern of Foreign Currency Assets		
		(USD Million)
	As at end of March 2025	**As at end of September 2025**
Foreign Currency Assets (FCA)*	5,67,557	5,79,181
(a) Securities	4,85,530	4,89,542
	(85.55)	(84.52)
(b) Deposits with other central banks & BIS	45,685	46,111
	(8.05)	(7.96)
(c) Deposits with commercial banks overseas	36,343	43,528
	(6.40)	(7.52)

***:** FCA excludes (a) investment in bonds issued by IIFC (UK), (b) SDR holdings of Reserve Bank which is included under SDR, (c) amount lent under SAARC and ACU currency Swap Arrangement and (d) RBI's contribution to funding of Nexus Global Payments.
Note: Figures in parenthesis indicate percentage to total FCA.

I.8 Other Related Aspects

I.8.1 Financial Transaction Plan (FTP) of the IMF

During the half year under review, there were four purchase transactions aggregating USD 343.60 million and five repurchase transactions aggregating USD 240.34 million under the FTP of the IMF.

I.8.2 Investments under New Arrangements to Borrow (NAB) with IMF

India's commitment under the IMF's New Arrangements to Borrow (NAB) was last raised to SDR 8,881.82 million from January 01, 2021. RBI has NIL subscription under NAB as at end of September 2025.

I.8.3 SAARC Swap Arrangement

Under revised Framework on Currency Swap Arrangement for SAARC countries for the period 2024 to 2027, RBI has signed a Bilateral Currency Swap Agreements with the Royal Monetary Authority of Bhutan (RMAB) and the Maldives Monetary Authority (MMA). RMAB availed a swap of ₹15 billion on August 05, 2024, which was fully repaid on August 05, 2025, after two rollovers. RMAB has also availed an additional swap of ₹15 billion on May 26, 2025, for six months. Maldives

Monetary Authority (MMA) has availed a swap facility of USD 400 million on October 22, 2024, which was rolled over for six months on April 22, 2025.

I.8.4 Investment in bonds issued by IIFC (UK)

The Reserve Bank has the mandate to invest up to USD 5 billion in the bonds issued by the India Infrastructure Finance Company (UK) Limited. As at end-September 2025, the amount invested in such bonds stood at USD 400 million.

Part-II

Objectives of Reserve Management, Legal Framework, Risk Management Practices, Transparency and Disclosure

II.1. Objectives of Reserve Management

The guiding objectives of foreign exchange reserve management in India are similar to those of many central banks in the world. The demands placed on the foreign exchange reserves may vary widely depending upon a variety of factors including the exchange rate regime adopted by the country, the extent of openness of the economy, the size of the external sector in a country's GDP and the nature of markets operating in the country. While safety and liquidity constitute the twin objectives of reserve management in India, return optimization is kept in view within this framework.

II.2. Legal Framework and Policies

The Reserve Bank of India Act, 1934 provides the overarching legal framework for deployment of reserves in different foreign currency assets and gold within the broad parameters of currencies, instruments, issuers and counterparties. The essential legal framework for reserve management is provided in sub-sections 17(6A), 17(12), 17(12A), 17(13) and 33 (6) of the above Act. In brief, the law broadly permits the following investment categories:

- deposits with other central banks and the BIS;
- deposits with commercial banks overseas;
- debt instruments representing sovereign/sovereign-guaranteed liability with residual maturity for the debt papers not exceeding 10 years;
- other instruments / institutions as approved by the Central Board of the Reserve Bank in accordance with the provisions of the Act; and
- dealing in certain types of derivatives.

II.3 Risk Management

The broad strategy for reserve management including currency composition and investment policy is decided in consultation with the Government of India. The risk management functions are aimed at ensuring development of sound governance structure in line with the best international practices, improved accountability, a culture of risk awareness across all operations, efficient allocation of resources and development of in-house skills and expertise. The risks attendant on deployment of reserves, viz., credit risk, market risk, liquidity risk and operational risk and the systems employed to manage these risks are detailed in the following paragraphs.

II.3.1 Credit Risk

The Reserve Bank is sensitive to the credit risk it faces on account of the investment of foreign exchange reserves in the international markets. The Reserve Bank's investments in bonds/treasury bills represent debt obligations of highly rated sovereigns, central banks and supranational entities. Further, deposits are placed with central banks, the BIS and commercial banks overseas. RBI has framed requisite guidelines for selection of issuers/ counterparties with a view to enhancing the safety and liquidity aspects of the reserves. The Reserve Bank continues to apply stringent criteria for selection of counterparties. Credit exposure vis-à-vis sanctioned limit in respect of approved counterparties is monitored continuously. Developments regarding counterparties are constantly under watch. The basic objective of such an on-going exercise is to assess whether any counterparty's credit quality is under potential threat.

II.3.2 Market Risk

Market risk for a multi-currency portfolio represents the potential change in valuations that result from movements in financial market prices, viz. changes in interest rates, foreign exchange rates, equity prices and commodity prices. The major sources of market risk for central banks are currency risk, interest rate risk and movement in gold prices. These risks are managed using Value-at-Risk (VaR), Conditional Value-at-Risk (CVaR), scenario analysis, stress testing etc. Further, to manage interest rate risk, duration and permitted deviations from the duration are specified as per the prevailing market conditions.

Gains/losses on valuation of FCA and gold due to movements in the exchange rates and/or price of gold are booked under a balance sheet head named the Currency and Gold Revaluation Account (CGRA). The balances in CGRA provide a buffer against exchange rate/gold price fluctuations. The dated foreign securities are valued at market prices at the end of each business day and the appreciation/depreciation arising therefrom is transferred to the Investment Revaluation Account (IRA). The balance in IRA is meant to provide cushion against changes in the security prices over the holding period.

II.3.2.1 Currency Risk

Currency risk arises due to movements in the exchange rates. Decisions are taken on the long-term exposure to different currencies depending on the likely movements in exchange rates and other considerations over the medium and long-term. The decision-making procedure is supported by reviews of the strategy on a regular basis.

II.3.2.2 Interest Rate Risk

The crucial aspect of the management of interest rate risk is to protect the value of the investments as much as possible from adverse impact of interest rate movements. The interest rate sensitivity of the portfolio is identified in terms of the benchmark duration and the permitted deviation from the benchmark.

II.3.3 Liquidity Risk

Liquidity risk involves the risk of not being able to sell an instrument or close a position when required without facing significant costs. The reserves need to have a high level of liquidity at all times in order to be able to meet any unforeseen and emergency needs. Any adverse development on the external front would pose a demand on our forex reserves and, hence, the investment strategy needs a highly liquid portfolio. The choice of instruments determines the liquidity of the portfolio. For example, in some markets, treasury securities could be liquidated in large volumes without much distortion of the price in the market and, thus, can be considered as liquid. Except fixed deposits with the BIS/ commercial banks overseas / central banks and securities issued by supranationals, almost all other types of investments are highly liquid instruments which could be converted into cash at short notice. The Reserve Bank closely monitors the portion of the reserves which could be converted into cash at a very short notice to meet any unforeseen/ emergency needs.

II.3.4 Operational Risk and Control System

In tune with the global trend, close attention is paid to strengthen the operational risk control arrangements. Key operational procedures are documented. Internally, there is total separation of the front office and the back-office functions and the internal control systems ensure several checks at the stages of deal capture, deal processing and settlement. The deal processing and settlement system, including generation of payment instructions, is also subject to internal control guidelines. There is a system of concurrent audit for monitoring compliance in respect of the internal control guidelines. Further, reconciliation of accounts is done regularly. In addition to internal audit and independent monitoring, the financial accounts are audited by external statutory auditors. There is a comprehensive reporting mechanism covering significant areas of activity/ operations relating to reserve management. These are provided to the senior management at frequent intervals, depending on the type and sensitivity of information. The Reserve Bank uses SWIFT as the messaging platform to settle its trades and send financial messages to its counterparties, custodians of securities and other business partners. International best practices with respect to usage and security of SWIFT system are followed. The SWIFT applications are updated to the SWIFT recommended versions, along with strict compliance with all the mandatory security control measures as recommended by SWIFT. The Bank has successfully migrated to SWIFT ISO 20022 standards, for both incoming and outgoing messages, and its system is now enabled to interact with MX messaging formats having enhanced features.

II.4 Transparency and Disclosures

The Reserve Bank has been making available in the public domain data relating to Foreign Exchange Reserves, its operations in foreign exchange market, position of the country's external assets and liabilities and earnings from deployment of Foreign Currency Assets and gold through periodic press releases of its Weekly Statistical Supplements, Monthly Bulletins, Annual Reports, etc. The Reserve Bank's approach with regard to transparency and disclosure closely follows international best practices in this regard. The Reserve Bank has adopted the Special Data Dissemination Standards (SDDS) template of the IMF for publication of the detailed data on Foreign Exchange Reserves. Such data are made available on monthly basis on the Reserve Bank's website.