Financial Stability Board

1. FSB was established in 2009 under the aegis of G20 by bringing together the national authorities, standard setting bodies and international financial institutions for addressing vulnerabilities and developing and implementing strong regulatory, supervisory and other policies in the interest of financial stability. India is an active Member of the FSB having three seats in its Plenary represented by Secretary (EA), Deputy Governor-RBI and Chairman-SEBI. Regular interaction with FSB takes place through periodic conference calls and meetings. Information is exchanged with FSB member jurisdictions frequently as per international requirements. The FSDC Secretariat in the Department of Economic Affairs coordinates with the various financial sector regulators and other relevant agencies to represent India's views with the FSB.

2. The FSB coordinates at the international level the work of national financial authorities, international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies. It brings together national authorities responsible for financial stability in significant international financial centres, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts.

3. FSB undertook a Peer Review of India's financial sector broadly on two topics i.e. (1) Macroprudential Policy Framework and (2) Regulation and Supervision of Non-Banking Finance Companies (NBFCs) and Housing Finance Companies (HFCs). In the final report published by FSB on August 17, 2016 as available on weblink, there are eight major recommendations under two broad headings i.e. (I) Macroprudential policy framework and (II) Regulation and Supervision of Non-Banking Finance Companies (NBFCs) and Housing Finance Companies (HFCs)

Financial Sector Assessment Program (FSAP)

4. Established in 1999, FSAP is a comprehensive and in-depth analysis of a country's financial sector. In developing and emerging market countries, FSAPs are done jointly by World Bank and IMF. FSAPs have two main components (1) financial stability assessment and (2) financial development assessment.

5. The stability assessment under the FSAP which is carried out by IMF covers an evaluation of three components: (1) the source, probability, and potential impact of the main risks to macro-financial stability in the near-term; (2) the country's financial stability policy framework; and (3) the authorities' capacity to manage and resolve a financial crisis should the risks materialize. The key findings of the stability assessment are summarized in the Financial System Stability Assessment (FSSA), prepared by the Fund team for the IMF Executive Board. The FSSA is a key input to IMF surveillance.

6. The developmental assessment which is carried out by World Bank focuses on medium- to long-term needs for the deepening and strengthening of the financial sector, and address major weaknesses affecting the sector's efficiency, soundness, and contribution to long-term growth and social development. These may include assessments of (1) financial sector infrastructure development needs; (2) financial sector oversight; (3) public policies affecting financial sector activity; (4) the impact of an underdeveloped financial sector on financial stability; and (5) long-term financial sector reforms.

7. Assessments of compliance with international financial sector standards summarized in a Report on Observance of Standards and Codes or ROSC are voluntary for the country, even in countries for which an FSAP stability assessment is a mandatory part of surveillance. They are an optional but potentially very useful component of the FSAP, especially if the last formal assessment of compliance is dated or the standards have changed. The standards most frequently assessed in the context of FSAPs are those on banking, capital market, and insurance supervision (BCP, IOSCO and IAIS, respectively). ROSCs can also be conducted outside an FSAP, on a stand-alone basis.

8. In September 2010, the IMF Board decided that 25 jurisdictions with financial sectors that have the greatest impact on global financial stability—or "systemically important" financial sectors— should undergo in-depth reviews of their financial health by the Fund every five years in the context of Fund surveillance under Article IV of the Fund's Articles. India is one of these 25 jurisdictions. In December 2013, the list of systemically important financial sectors was expanded from 25 to 29 jurisdictions. .

9. Financial Sector Assessment Program (FSAP) – 2017 is under progress. As the last FSAP was held in 2011-12, India in 2017 will undergo FSAP process by IMF-World Bank. In this regard, a scoping mission of IMF-World Bank visited India in December 2016. Two Missions of IMF-World Bank will visit India in March-April, 2017 and June-July, 2017. The process is expected to be over by end of 2017.

10. **Links to the relevant international standard setting and monitoring bodies**

Organisation	Website
G-20	www.g20.org
Financial Stability Board	www.fsb.org
IMF	www.imf.org
World Bank	www.worldbank.org
BIS	www.bis.org
IOSCO	www.iosco.org
IAIS	www.iaisweb.org
IAPS	www.oecd.org