

**Government of India**  
**Ministry of Finance**  
**Department of Economic Affairs**  
**FSDC Secretariat**

**Press Release**

**Ninth Meeting of the Financial Stability and Development Council (FSDC) held under the Chairmanship of the Union Minister of Finance on 4<sup>th</sup> February 2014**

The Ninth Meeting of the Financial Stability and Development Council (FSDC) was held in New Delhi today under the Chairmanship of the Union Minister of Finance, Shri P. Chidambaram. The meeting was attended by Dr. Raghuram G. Rajan, Governor, RBI; Shri Sumit Bose, Finance Secretary; Dr. Arvind Mayaram, Secretary, Department of Economic Affairs; Shri Rajiv Takru, Secretary, Department of Financial Services; Shri U.K. Sinha, Chairman, SEBI; Shri T.S. Vijayan, Chairman, IRDA; Shri Ramesh Abhishek, Chairman, FMC; Shri Anup Wadhawan, Chairman (Concurrent-charge), PFRDA; and other senior officers of the Government of India and financial sector regulators.

2. The Council reviewed the progress on pursuing the implementation of recommendations of Financial Sector Legislative Reforms Commission (FSLRC); assessed the external sector vulnerabilities; deliberated on asset quality, capital adequacy and management and governance related issues of banks; as also issuance of Basel III compliant capital instruments by banks. The RBI apprised the Council of the developments under the aegis of the FSDC Sub-Committee since the last meeting of the FSDC held in October, 2013.
3. The Council noted the steps taken by MoF and the financial sector regulators to adopt the governance enhancing principles of the non-legislative recommendations of FSLRC. The Council agreed that there should be a time bound implementation of these. The Council discussed the suggestion of MoF to improve the Rules relating to the Annual Reports of the financial sector regulators for improving transparency and accountability and to make uniform the process followed for the appointment of the Chairman/Members of financial sector regulators. The Council also apprised about the status of the constitution of task forces for the establishment of Financial Sector Appellate Tribunal, Public Debt Management Agency, Resolution Corporation and Financial Data Management Centre.
4. The Council made an assessment of the emerging issues relating to financial stability, including preparedness for the impact of US tapering, liquidity crunch and repricing of risk. The Chairman Council stressed upon the need for the Government and the financial sector regulators to ensure robust growth and manage vulnerabilities.

5. Finance Minister, who is chairman of FSDC, observed that in the domestic front, though the deceleration in growth has been arrested in the second quarter of 2013-14, inflationary pressures and structural bottlenecks are some of the factors that weigh down the growth process. Finance Minister also mentioned that FSDC has taken up many initiatives to further develop the Indian financial sector, like the development of the corporate debt market, launch of infrastructure debt funds and issue of new FPI regulations which permit qualified foreign investors (QFIs) to invest in India and also pursued the implementation of the Report of the FSLRC with the intention that our financial sector stands on sound legal foundations and remains well-regulated, efficient and internationally competitive. Finance Minister advised that inter-regulatory issues should be resolved in a time bound manner by the FSDC Sub-Committee. Priority should be accorded to the steps like common demat account for financial assets which will add considerable benefits to the consumers.
6. The Council noted the deterioration in the asset quality of banks and impact of the same on capital adequacy ratios. The Council reviewed the measures taken by the Government and RBI to revitalize the distressed assets and assessed the additional capital requirements of banks under the Basel III norms. The Council apprised of certain management and governance related issues of banks and discussed further remedial measures.
7. In order to facilitate issue of non-equity regulatory capital instrument by banks, the Council advised IRDA and PFRDA to re-examine their investment norms to enable investment by insurance companies and pension fund managers in the Basel III compliant capital instruments issued by banks.
8. On the activities of the FSDC Sub-Committee, the Council, inter-alia, noted that the Working Group on Resolution Regime for Financial Institutions in India has submitted its Report to the FSDC Sub-committee, in January, 2014. The Council also noted that in pursuance of the National Strategy for Financial Education (NSFE), the first ever National Financial Literacy Assessment Test was conducted.

  
(Dr. C. S. Mohapatra)  
Adviser (FS)

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Dated: 4<sup>th</sup> February 2014

Press Information Bureau is requested to give wide publicity to this Press Release.

Press Information Officer,  
Press Information Bureau,  
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