

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3328

ANSWERED ON:12.05.2006

FULL CAPITAL ACCOUNT CONVERTIBILITY

Acharia Shri Basudeb;Adhalrao Patil Shri Shivaji;Adsul Shri Anandrao Vithoba;Boianapalli Shri Vinod Kumar;Chaure Shri Bapu Hari;Rawat Shri Kamla Prasad;Verma Shri Ravi Prakash

**Will the Minister of FINANCE be pleased to state:**

- (a) Whether Government proposes to introduce full Capital Account Convertibility (CAC);
- (b) If so the details thereof;
- (c) Whether the Union Government has constituted a committee for Capital Account Convertibility
- (d) If so, the terms of reference of the said committee; and
- (e) the time by which the said committee is likely to submit its report to the Government?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) Capital account convertibility implies the residents' right to transact in financial assets with foreign countries without restrictions. In India, although convertibility exists in respect of certain constituent elements of the capital account, such convertibility is not complete, particularly with respect to residents borrowing abroad and acquiring large value foreign assets. In view of the growing strength gathered by India's external sector and its considerable integration with the world economy, the issue of moving towards fuller capital account convertibility within a transparent framework assumes importance.

(c): The Reserve Bank of India (RBI) has constituted a committee under the chairmanship of Shri S.S. Tarapore for setting out a roadmap for moving towards fuller capital account convertibility.

(d) The terms of reference of the Committee are:

(i) Review the experience of various measures of capital account liberalization in India

(ii) Examine implications of fuller capital account convertibility on monetary and exchange rate management, financial markets and financial system

(iii) Study the implications of dollarisation in India of domestic assets and liabilities and internationalization of the Indian rupee.

(iv) Provide a comprehensive medium-term operational framework with sequencing and timing for fuller capital account convertibility taking into account the above implications and progress in fiscal and revenue deficits of both centre and states.

(v) Survey the regulatory framework in countries which have advanced towards fuller capital account convertibility.

(vi) Suggest appropriate policy measures and prudential safeguards to ensure monetary and financial stability.

(vii) To make such other recommendations as the Committee may deem relevant to the subject.

(e) The Committee is expected to submit its report by July 31, 2006 to RBI.