

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1637  
ANSWERED ON:01.12.2006  
RECOMMENDATIONS OF CONVERTIBILITY REPORT  
Saradgi Shri Iqbal Ahmed

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

(a) Whether the Convertibility Report has recommended foreign individual investment in the Indian stock market as well as the investment of overseas corporate through SEBI - registered entities besides increase in the FII limit for investment in Govt. debt, automatic approval for external commercial borrowings up to \$ 750 million and increase in overall ceiling up to \$ 1 billion through the automatic route ;

(b) If so, the other major recommendations ;

(c) The details of recommendations accepted by the Government; and

(d) The steps being taken to implement them ?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P. K. BANSAL)

(a) : Yes, Sir.

(b) : The other major recommendations of the Committee are as under :

(i) The Committee recommended a detailed road-map for moving towards Fuller Capital Account Convertibility covering specific measures over three phases in the next 5 years.

(ii) Policy initiatives should be taken to facilitate development of different financial markets, corporate bond market, Government Securities market, foreign exchange market and the gold market to encourage capital inflows;

(iii) All commercial banks should be subjected to single banking regulations. All banks should be incorporated under the Companies Act. Minimum Government shareholdings in public sector banks should be reduced to 33%.

(iv) RBI should have a monitoring exchange rate band of + / - 5.0% around the neutral REER.

(c) & (d): The steps being taken by RBI are as follows:

(i) As part of the mid-term review of the annual policy of the bank, RBI has announced a number of measures towards further liberalization of current account and capital account transactions.

(ii) A Working Group has been constituted by the RBI to examine the policy issues and provide an analysis on the recommendations;

(iii) The RBI has constituted an internal Task force to re-examine the extant regulations and remove the operational impediments in the path of liberalization already in place. As and when the Task Force submits its recommendations on an ongoing basis, these are being taken up by RBI for implementation.