

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:5889

ANSWERED ON:30.04.2010

FINANCIAL STABILITY COUNCIL

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

- (a) whether the Government plans to rewrite the financial sector laws;
- (b) if so, the details thereof and reasons for such a move;
- (c) whether the Government is also planning to set up Financial Stability and Development Council;
- (d) if so, the details thereof alongwith the purpose for which it is being set up and the time by which it is likely to be made operational;
- (e) whether consultations have been completed in this regard; and
- (f) if so, the details of key suggestions received from each individual / entities in this connection alongwith reasons for rejecting or accepting such suggestions?

**Answer**

The Minister of State in the Ministry of Finance (Shri Namo Narain Meena)

(a) & (b): In the Budget speech 2010-2011, it has been proposed to set up a Financial Sector Legislative Reforms Commission to rewrite and clean up the financial sector laws to bring them in line with the requirements of the sector as most of our legislations governing the financial sector are very old. Large number of amendments to these Acts made at different points of time has also increased ambiguity and complexity.

(c) to (f) : In the Budget Speech 2010-11, it has been proposed to set up an apex level Financial Stability and Development Council which would, without prejudice to the autonomy of regulators, inter-alia, monitor, macro prudential supervision of the economy. The Reserve Bank of India (RBI), in its Financial Stability Report (March 2010) has proposed establishment of an apex-level Financial Stability and Development Council (FSDC) to monitor macro prudential supervision of the economy, including the functioning of large financial conglomerates, and to address inter-regulatory co-ordination issues.

Although the precise composition and mandate of the FSDC have yet to take shape, the proposed body answers a felt need for an institutional mechanism in the post-crisis scenario to pre-empt build-up of systemic risks with potentially huge costs for the fiscal balance sheet. RBI is committed to working closely with the Government and other regulators to set up an agreed protocol delineating the specific role and functions of the FSDC vis-à-vis the existing framework.