

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3456
ANSWERED ON:16.04.2010
FOREIGN INVESTMENT IN DEBT MARKETS
Reddy Shri Anantha Venkatarami

Will the Minister of FINANCE be pleased to state:

- (a) whether International Monetary Fund (IMF) has suggested that India should allow more foreign investments in its debt market to boost trading and also to lower borrowing costs;
- (b) if so, the details thereof; and
- (c) the reaction of the Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b) On conclusion of 2009 Article IV Consultation with India, the IMF has issued on its website a Public Information Notice (PIN) dated February 4, 2010 summarizing the views of the Executive Directors at IMF. Relevant portion from the third last Para of the PIN is extracted below:

‘Several Directors also considered that further opening the local debt market to foreign investors could help in enhancing liquidity. A few other Directors advised a more cautious approach in view of the volatility and vulnerabilities associated with capital flows.’

The complete IMF Staff Article IV Consultation Report on India has been published by IMF on their website on March 16, 2010.

(c) The Foreign Institutional Investors (FII) policy is regularly reviewed by the Government and the regulators keeping in tune with the evolving macroeconomic conditions, sectoral requirements, global developments etc. and changes to the said policy are made as and when considered appropriate.