

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:4005

ANSWERED ON:03.12.2010

‘SCRUTINY OF FINANCIAL SYSTEM BY IMF AND WORLD BANK’

Reddy Shri Magunta Srinivasulu;Sule Supriya

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

- (a) whether India has agreed to any International Monetary Fund (IMF) and World Bank (WB) scrutiny of its financial system to assess the country's capacity to manage a financial crisis, as part of the global efforts to prevent 2008 type of financial meltdown, which could trigger some financial sector reforms;
- (b) if so, whether according to experts the move should be seen in a positive light as it would benefit the global economy as a whole;
- (c) if so, whether it has to be seen that the same principle of assessment would be applied to other countries and could trigger reforms there as well benefiting the global economy including India;
- (d) whether Government communicated to the financial stability board to be considered for a full fledged financial sector assessment programme for IMF and WB;
- (e) whether India has opted for a self-assessment by the Committee on financial sector assessment chaired by the Reserve Bank of India, Deputy Governor and Finance Secretary in 2006; and
- (f) if so, to what extent it has been helpful to the Indian economy?

**Answer**

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

(a) India is a member of the Financial Stability Board (FSB), which is an international organization created with an objective to coordinate at the international level the work of national financial authorities and International standard setting bodies (SSBs). It aims at the development, promotion, and implementation of effective regulatory, supervisory and other financial sector policies.

FSB members have committed to, inter alia, undergo periodic peer reviews. IMF/World Bank Financial Sector Assessment Program (FSAP) is one such review. As a member of FSB, India has agreed to the above FSAP.

(b) The Financial Sector Assessment Program, conducted by IMF and WB, is expected to help in strengthening international cooperation and information exchange standards in the financial sector. This is expected to benefit the global economy as a whole by promoting financial stability.

(c) Yes, Sir. The same principle of assessment would apply to other member countries of FSB. FSAP has already been conducted for many other members of FSB.

(d) Yes, Sir.

(e) Yes, Sir. The Committee on Financial Sector Assessment (CFSA), co-chaired by the Deputy Governor of RBI and the Secretary Department of Economic Affairs, conducted a self- assessment of the financial sector in India, and its report was released in the year 2009.

(f) The CFSA's report has been helpful to the Indian economy as it provided a comprehensive self-assessment of the financial sector in India on the issues of financial stability and compliance with financial standards and codes.