

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:403  
ANSWERED ON:04.05.2012  
APPOINTMENT AND REMOVAL OF REGULATORS  
Rao Shri Konakalla Narayana

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

- (a) whether the Ashok Chawla Committee inter-alia recommended to distance the administrative Ministry from the appointment and removal of regulators in various sectors;
- (b) if so, the salient features of the recommendations made;
- (c) the follow up action taken by the Government thereon;
- (d) whether the Government proposes to extend the committee's recommendation to financial regulators such as the Securities and Exchange Board of India (SEBI) and the Insurance Regulatory Development Authority (IRDA); and
- (e) if so, the details thereof and if not, the reasons therefor?

**Answer**

MINISTER OF FINANCE(SHRI PRANAB MUKHERJEE)

(a) to (e) : A statement is placed on the table of the House. Statement placed on the Table of Lok Sabha in reply to parts (a) to (e) of the Lok Sabha Starred Question No.403 regarding appointment and removal of regulators by SHRI KONAKALLA NARAYANA RAO for 4th May, 2012

(a) Yes sir. However, the Committee's recommendations are only with regard to the eight natural resources identified by it, viz., coal, minerals, petroleum, natural gas, spectrum, forests, land and water.

(b) The Committee has suggested a few broad institutional ground rules for regulators and allocation of functions. These include (i) distancing the administrative ministry from appointment and removal of regulators and entrusting it to a statutorily defined body, (ii) having an independent cadre for the regulator with appropriate remuneration and service conditions and ensuring that it has a stable budget, (iii) appropriate support for the staffing of the regulator to create conditions for ensuring that the regulator possesses substantial technical capacity and have the ability to access specialized technical knowledge and use it effectively and (v) appropriate definition of the power to issue policy directions to the regulator accompanied by suitable justification, and (vi) providing suitable budgetary provisions before implementation.

(c) The Group of Ministers (GoM) headed by the Finance Minister to consider measures that could be taken by the Government to tackle corruption, in its meeting held on 16th June 2011, had considered the Report of Committee on Allocation of Natural Resources (CANR) and directed that the Report may be examined by the Committee of Secretaries (COS) which may recommend as to which of the recommendations of the Committee be accepted by the GoM. As directed by the GoM, all 81 recommendations of the CANR were examined by the Committee of Secretaries, in its meetings held on 14th July, 2011, 9th August, 2011 and 29th September, 2011. The GoM in its 6th meeting dated 30th September, 2011 considered the advice of the CoS on recommendations of the CANR and accepted inter alia the recommendation at S.No. 77 with the following formulation:

"The Committee has suggested a few broad institutional ground rules for regulators and allocation of functions. These include distancing the administrative ministry from appointment and removal of regulators and entrusting it to a statutorily defined body, having an independent cadre for the regulator with appropriate remuneration and service conditions and ensuring that it has a stable budget. Appropriate support for the staffing of the regulator is essential to create conditions for ensuring that the regulator possess substantial technical capacity and have the ability to access specialized technical knowledge and use it effectively. The power to issue policy directions to the regulator also needs to be appropriately defined, accompanied by suitable justification and approved by the Minister concerned. Any financial impact of such directions needs suitable budgetary provisions before implementation."

(d) No Sir.

(e) Does not arise in view of (a) above.