

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4499
ANSWERED ON:08.08.2014
OF FINANCIAL SECTOR
Mohammed Shri Faizal P.P.

Will the Minister of FINANCE be pleased to state:

- (a) the details of recommendations of the Financial Sector Legislative Reforms Commission (FSLRC) along with the action taken thereon, point-wise;
- (b) whether the Government proposes to constitute an agency to monitor the activities in the financial sector; and
- (c) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) The FSLRC has recommended revamping the legislative framework governing the financial sector by a non-sectoral, principle-based approach and restructuring existing regulatory agencies and creating new agencies wherever needed. The FSLRC has given a draft legislation namely Indian Financial Code as Volume-II of its report. The basic approach of the FSLRC is to provide clear mandate and powers and mechanism for accountability to financial agencies. The tasks /mandate are consumer protection, prudential regulation, resolution mechanism, capital controls, systematic risk, financial inclusion and market development, and monetary policy which need to be addressed in a non-sectoral manner. The FSLRC recommended a seven agency structure for the financial sector which are the Reserve Bank of India (RBI), Unified Financial Agency (UFA), Financial Sector Appellate Tribunal (FSAT), Resolution Corporation (RC), Financial Redressal Agency (FRA), Financial Stability and Development Council (FSDC) and Public Debt Management Agency (PDMA).

The FSLRC report has been examined by the government. Broadly, recommendations of the FSLRC can be divided into two parts, legislative aspects and non-legislative aspects. The non-legislative aspects of the recommendations are relating to governance enhancing measures on consumer protection and greater transparency in the functioning of financial sector regulators; and the same has been accepted and is being implemented by all regulators on a voluntary basis. The legislative recommendations relate to re-writing the laws using a principle based approach, restructuring existing regulatory agencies and creating new agencies. Implementation of these would require wider consultations with stakeholders.

(b) No, Sir.

(c) Does not arise in view of the reply to part (b) above.